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# ***Daily Report***

## **China**

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# Daily Report

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FBIS-CHI-88-158

### CONTENTS

16 August 1988

#### INTERNATIONAL AFFAIRS

##### General

Commentary on U.S.-Philippine Bases Talks [JIEFANGJUN BAO 6 Aug]	1
'Roundup' Views Higher Western Interest Rates	1
Asian Development Bank To Fund Market Study	3
U.S. 'Spy Plane' Base May Shift to Turkey	3
U.S. To Deliver F-4E Phantom Jets to Turkey	3
Iranian Official on Ties With U.S., USSR	4

##### United States & Canada

Republican Convention Begins in New Orleans	4
Presidential Race Assessed [GUOJI WENTI YANJIU 13 Jul]	4
Survey Shows Rise in Americans' Trust of USSR	8
American Psychiatrists Gather for Beijing Seminar	8
U.S. Supports Contact Between DPRK, South	9
U.S. Official on Test Materials Incident	9
U.S. Senate Approves Defense Budget	9
Canadian Dance Troupe Makes Debut in Beijing	10

##### Soviet Union

Heilongjiang Port Opens to Soviet Vessels	10
Heilongjiang Develops Border Trade With USSR	10
Soviet Officials Visit Chinese Pavilion in Moscow	11
Yakovlev, Ligachev Differ on Foreign Policy	11
Vorontsov, U.S. Envoy Discuss Arms Control	11
Soviet Officials Cited on Wage Reform Problems	12

##### Northeast Asia

Japan's Hirohito Marks Surrender Anniversary	12
Commentary on Anniversary	12
Japan Welcomes 'Expanded' PRC-Taiwan Relations	13
Jilin's He Zhukang Meets With Japanese Guests	13
Japanese Culture Delegation Honored at Banquet	13
Jilin Sends 41 Students to DPRK for Study	14
DPRK Agrees to Joint Parliamentary Meeting [RENMIN RIBAO 11 Aug]	14
South Korea Responds [RENMIN RIBAO 11 Aug]	14
South Korean Police Detain Over 2000 Students	14
Student March Blocked	15
S. Korea, U.S. Discuss Army Headquarters Move	15

##### Southeast Asia & Pacific

Roundup Views Apparent 'Calm' in Burma	15
Sihanouk, Cambodia's Hun Sen To Meet in November	16
Sihanouk Condemns Khmer Rouge [AFP]	16
Aquino, Laurel Split in Philippines Reported	17
SRV Charges against Thailand Called Diversion	17
Sun Qimeng Departs for New Zealand, Australia	17
Arrives in Wellington	17

### Near East & South Asia

Deputy Minister Qi Huaiyuan Arrives in Tehran .....	18
Envoy Meets PLO's Yasir 'Arafat in Libya .....	18
'Roundup' on Crisis in Pakistan's Muslim League .....	18
Roundup on Afghan Situation, Soviet Withdrawal .....	19
Najibullah Speaks on National Reconciliation .....	20
Soviets Condemn Pakistan .....	20
Afghan General Interviewed .....	21
Najibullah's Brother Condemns Kabul Regime .....	21
Afghan Rebel Leader on Soviet Withdrawal .....	21
Gandhi Delivers Independence Day Address .....	22

### Sub-Saharan Africa

Wang Zhen Meets Mozambican Defense Minister .....	22
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### West Europe

Kang Keqing Meets West German Guests .....	22
--	----

### East Europe

CPC Workers' Delegation Departs for GDR .....	23
Article on Poland's Economic Reform Program [SHIJIE JINGJI DAobao 8 Aug] .....	23

### Latin America & Caribbean

Ecuador's President Meets Zhu Qizhen, Delegation .....	24
Technical Aid Announced .....	24

## NATIONAL AFFAIRS

Oceanographic Station in Spratlys Inaugurated [RENMIN RIBAO OVERSEAS EDITION 16 Aug] .....	25
State Council on Cash Management Regulations .....	26
Central Bank To Raise Interest Rates .....	26
CPC Official Says Views on Reform Solicited .....	27
Direction of Reform Efforts Discussed [SHIJIE JINGJI DAobao 8 Aug] .....	27
Prominent Playwright Criticizes CPC [Hong Kong SOUTH CHINA MORNING POST 16 Aug] .....	28
Late Chinese Literary Critic Reevaluated .....	28
State Council Pushes Administrator Training .....	29
NPC Forum Discusses Administration Litigation Law .....	29
Forum Urges Perfecting People's Appeal System .....	30
Corruption Hotline Averages 8 Calls Per Day .....	30
Most 1988 College Graduates Placed in Jobs .....	30
Railways Suffer Serious Passenger Overloading .....	31
ZHONGGUO TONGXUN SHE on Mainland Media .....	31
New Trends in Population Movement Reported .....	32
Family Planning Education Shows Results .....	32
Reduction in Birthrate Saves Nation Money [Hong Kong WEN WEI PO 15 Aug] .....	33
Rui Xingwen Addresses Mayors' Meeting .....	33
PLA Navy Continues To Develop Various Missiles .....	33
Beijing Commander at Shanxi Military Exercise .....	34
Scholars on Scientific Progress, Commodities [SHIJIE JINGJI DAobao 8 Aug] .....	34
State Enterprises Adopt Responsibility Systems .....	35
Analysis of Factories Urge Streamlined Workforce .....	35
Nation Attracts More Foreign Investment .....	36
Gap Between Public, Private Sector Income Viewed [BEIJING REVIEW 15-21 Aug] .....	36
Article Examines Problems Behind Price Spiral [SHIJIE JINGJI DAobao 8 Aug] .....	37
Rural Contradictions Put in 'Proper Perspective' [BAN YUE TAN 25 Jul] .....	39
State Statistics Show Movement to Cities .....	41

Farm Material Prices Increase by 17.2 Percent .....	41
New Hybrid Rice Strain Developed .....	42
NONGMIN RIBAO Editorial on Good Harvests [8 Aug] .....	42
More Protection for Coastal Areas Urged .....	43
Commentator Previews 'Yellow River Complex' [CHINA DAILY 12 Aug] .....	43
QIUSHI No 4 Table of Contents Published [RENMIN RIBAO 14 Aug] .....	44
Correction to Report on Bedaihe Rumors .....	44

## REGIONAL AFFAIRS

### East Region

Fujian Foreign Investment Opportunities Up .....	45
Seeks Taiwan Investment .....	45
Xue Ju Addresses Zhejiang CPC Meeting 13 Aug .....	45

### Central-South Region

Guangdong Aided by Hong Kong, Macao Groups .....	46
Guangxi Financial Situation Revealed at Meeting .....	46
Guangxi, Guizhou Strengthen Economic Cooperation .....	47
Hainan Leader Discusses Upcoming Conferences .....	47
Hainan Leader Speaks at Public Security Meeting .....	48

### North Region

Symposium on Developing Hebei Export Economy [HEBEI RIBAO 29 Jul] .....	48
Tianjin Port Improves Sanitation Conditions .....	50

### Northeast Region

Heilongjiang Enterprises Hold Excess Funds .....	50
News Briefing on Heilongjiang Flooding Situation .....	51
Former Heilongjiang Secretary Dies on 11 Aug .....	51
Jilin Meeting on Guidelines From Zhao Ziyang .....	51
Liaoning's Dalian Suffers Hottest, Driest Summer .....	52

### Northwest Region

Gansu Meeting Views Propaganda, Ideological Work .....	52
Qinghai Opens Red Army Memorial Hall 15 Aug .....	52
Shaanxi Financial Work Conference Ends .....	53

## PRC MEDIA ON TAIWAN AFFAIRS

CPC Official on Exploring Reunification .....	54
More on Yan Mingfu's Comments .....	54
Ministry Proposes More Mainland Investment .....	55
LIAOWANG on KMT 'Diplomatic Breakthrough' [Hong Kong LIAOWANG OVERSEAS EDITION 8 Aug] .....	55

## TAIWAN

Kuomintang Official Willing To Talk With Deng [Hong Kong MING BAO 14 Aug] .....	58
Commentary on Increased Trade With Mainland .....	58
No Renewal of Rice Pact With U.S. ....	59
President Li Teng-hui Inspects Flood Damage .....	59



## General

### Commentary on U.S.-Philippine Bases Talks

HK1508143788 Beijing JIEFANGJUN BAO  
in Chinese 6 Aug 88 P 1

["Weekly Commentary" by Zhuang Hanlong (8369 3352 7127): "More Trouble in the U.S.-Philippine Bases Talks"]

[Text] According to Philippine Senator Aquilino Pimentel, a member of the Senate delegation currently visiting the Soviet Union, a deputy minister from the USSR Foreign Affairs Ministry told him that the Soviet Union has missiles targeted at the Philippines, specifically at the U.S. military bases there, namely the Clark Air Base and the Subic Naval Base. This Philippine senator was also informed that if the United States withdraws its bases from the Philippines, the Soviet Union will adopt corresponding measures. This revelation immediately elicited a strong reaction from the Western world. Britain's foreign news published this item under the catchy headline: "A Threatening Suggestion." Why did the Soviet diplomat choose to make such a "candid" announcement at this time? And why is the Western world so sensitive about this news?

It is widely known that U.S.-Philippine contention over the military bases has been a thorny issue troubling the two governments in recent years. On 31 May this year, the two countries held a "conference on joint defense and security issues" to discuss the retention or withdrawal of U.S. military bases in the Philippines. However, because of widely divergent views on both sides the meeting was "adjourned temporarily" in July until a better time arises for the final showdown.

In 1946 the Philippines declared its independence after ending U.S. colonial rule. The following year, the two governments concluded the Philippines-U.S. Military Bases Agreement. Since then the agreement has undergone several amendments until in 1974 the Marcos government announced the expiration of the 1947 Philippines-U.S. Military Bases Agreement. However, it ruled that the United States could retain Subic Naval Base, Clark Air Base, and four other smaller military installations, and maintain an army of 20,000 men until 1991. In return, the United States must pay the Philippines annually for use of the bases, as well as provide a certain amount of assistance. In 1983 the Philippines asked the United States to increase its aid and also raised the rent for the bases. Reports claimed that the Aquino government is asking the United States for \$1.5 billion. Owing to financial problems and defense budgetary cutbacks, the United States is reducing and not increasing the bases fee, and could only give the Philippines \$180 million. This led to worsening friction between the two countries.

There are two main reasons for the tough stance taken by the Aquino government over this problem: One, because of the unstable internal political situation and deteriorating economic conditions characterized by high foreign debt, the government hopes to use the issue to divert attention from pressing matters; two, with mounting popular anti-American sentiments coupled with a growing clamor in Congress for the recovery of the bases, it would be unwise to lower the asking price. What about the United States? It sent top military and state officials to make inspection tours and consider new sites, claiming that if the Philippines' asking price is too high then it will move the bases elsewhere. While this may be regarded as a bargaining tactic it can also be seen that the Pentagon is indeed strapped for funds.

Will the United States really pull out from its bases in the Philippines due to indignation? It seems quite unlikely. The reason is that both Subic and Clark bases guard the traffic between the Pacific and the Indian Oceans. They are located opposite the Soviet naval and air bases in Cam Ranh Bay. Once the United States loses Clark, the biggest U.S. air base in Asia and the second biggest in the world, and Subic naval base, a major base for the U.S. Pacific Fleet, then it will very likely lose its geographical and strategic advantage in the region. Should changes occur suddenly in Southeast Asia, South Asia, the Middle East, or East Africa, it might not be able to respond in time. On the other hand, Japan and other major Western economic powers are also reluctant to see the withdrawal of the U.S. military presence from the Philippines and the resulting loss of their protective screen in the maritime lifeline. Hence, while the United States has made noises about pulling out its bases, they may be considered as mere words and intended primarily to counter excessive demands from the Philippine side.

It was in light of these circumstances that the Soviet official made his statement. The purpose of his "threatening suggestion" is to tell the Filipino people: As long as the U.S. military bases remain, then you will have to live as targets for Soviet missiles. In other words, you had better get rid of the U.S. military presence as soon as possible. Of course, the Kremlin also wants to use the occasion to tell the White House: If the United States pulls out from the Philippines, Soviet naval and air forces will also withdraw from Cam Ranh Bay. Naturally, this is not without its appeal to the U.S. Government. With this, the already tedious U.S.-Philippine bases talks become even more complicated. If the talks had previously been deemed to concern the future relations of the two countries, now they will have to consider the Soviet factor, too.

**'Roundup' Views Higher Western Interest Rates**  
OW1508114288 Beijing XINHUA in English  
0807 GMT 15 Aug 88

['Round-Up: A Wave of Higher Interest Rates Sweeps the West (by Le Zhude)']—XINHUA headline]

[Text] Brussels, August 14 (XINHUA)—The wave of interest rate rises, which has been sweeping the West

since the summer, has been further pushed forward by the unexpected announcement by the U.S. Federal Reserve Board (FED) of a half percentage point rise in its discount rate on August 9.

This is the first interest rate rise in the United States since last October's world stock market crash.

In the first six months of this year, Western economies, despite the crash, achieved an unexpected fast increase instead of recession. In the United States, Britain and some other countries, the economy was a bit too "hot," a phenomenon which also brought about the shadow of inflation.

The inflationary pressure gained force with the beginning of summer vacation when consumption is on the increase. In such a situation, Britain, Federal Germany, Japan and other West European countries have had their interest rates raised for many a time, with the purpose of either putting inflation under control, or preventing capital from going abroad. This forced the Fed to take money-tightening policy in the year of general election.

After the present rise in discount rate in the United States, no stock market crash as the one which occurred last October took place. Economic analysts attributed this to the following:

First, the interest rate rise last September was aimed at curbing the falling U.S. dollar, foreign trade deficit and inflation. But similar actions taken by Federal Germany soon after set off the effect of the U.S. measure and made stock traders lose their confidence. However, the present interest rate rise came when the dollar is strong and U.S. foreign trade deficit has been eased up to some degree, thus having less impact on the stock market than last year.

Second, the current prices of stocks, after the crash of last year, have reached a "comparatively realistic level" from their extremely inflated condition.

Third, since it is now a slack season for stock market, the fall in stock prices has a limit. Reports said stock prices fell for a short time in Wall Street after the United States announced its decision to increase its interest rate, but the drop was attributed to the small number of buyers rather than to too much selling, because regular customers were out of town for holidays.

However, if the interest rate rise lasts for a long time or the U.S. foreign trade deficit continues to increase, a dramatic fall in stock prices is possible.

But how much will the continuous rising interest rates in the West affect its economy? Experts in Western Europe noted that the rising interest rates will no doubt have negative effects on investment and consumption and economic growth will be slowed down, but it will not lead to stagnation.

A Federal German economist said that if the interest rate rise goes on in West European countries, economic growth will slow down as of the latter half of 1989. He estimated that growth rate in Federal Germany next year will be down to 2 percent from this year's 3 percent.

In Britain, experts "don't fear a severe, consumer-led recession." They said that "the cooling is a good thing." It is estimated that economic growth in Britain will fall from this year's 4 percent to 2-3 percent next year.

Amid the wave of interest rate increases, France is the only West European country which "goes against the tide."

The new French Government of Prime Minister Michel Rocard formed three months ago has been practicing a policy of lower interest rate to spur investment in an effort to invigorate the economy. This is in contrast to the practice of higher interest rates adopted by Federal Germany, Britain, Belgium and other industrialized countries.

The country actually lowered its interest rate twice in May and July. Some economists even think that the wave in the world to boost interest rates will have little influence on French economy as French enterprises have huge surpluses and therefore they can increase investment without credit. But after the United States raised its interest rate, France seemed [to] dare not to further loosen its control on money supply.

An executive of the Japanese Central Bank said that there was no sign of inflation in his country and that only if the exchange rate of the U.S. dollar remains high, can there be the possibility of rising prices for Japanese imports and then can the Government consider another interest rate rise. Besides, since Japan has a large investment market abroad, the impact of the exchange rate will be comparatively smaller on Japan than on Western Europe.

The wave of interest rate hikes was touched off by inflation. Then how about the danger of inflation?

At present, the United States, Britain and other industrialized countries have a too high utilization rate of their factory capacity, a falling unemployment rate and higher wages, so the danger of inflation does exist. The rising prices for food caused by declining grain output because of drought in the first six months of this year in the United States has increased the danger.

The U.S. Agriculture Department announced Thursday that grain production in the United States was expected to drop by 31 percent to a total of 192 million tons this year.

However, according to a report by French Paribas Bank, in the consumer price index in major industrialized countries, food price is on fall, while prices for energy

and gold, chief factors determining inflation, are steadily going up. The falling price for oil especially shows that world economy may keep growing with a low inflation rate. In addition, accelerating competition, greater access to market, technical progress and high unemployment rate will keep industrialized countries from inflation at least for a short period of time.

West European analysts held that since the economy in Western industrialized countries is good at present, world economic growth, by relying on the present growth momentum, will continue at least to the end of this year, on condition that the interest rate rises do not develop into a "war of rates" and the foreign trade deficit of the United States is put under control to some degree.

**Asian Development Bank To Fund Market Study**

OW1408004088 Beijing XINHUA in English  
0006 GMT 14 Aug 88

[Text] Manila, August 13 (XINHUA)—The Manila-based Asian Development Bank today approved a technical assistance grant for a study of capital markets in six developing member countries.

The study will review the status of capital markets in Bangladesh, China, India, Malaysia, Nepal and Papua New Guinea, examine their financial/capital market infrastructure and "business culture," identify market deficiencies and constraints on development of capital markets and set out strategies for medium and long-term capital market development.

The bank's efforts in capital market development, as a part of its expanding resources center activities, aim to promote private sector initiative and market-oriented economies.

The study is expected to be completed within a period of eight months.

**U.S. 'Spy Plane' Base May Shift to Turkey**

OW1308020588 Beijing XINHUA in English  
1418 GMT 12 Aug 88

[Text] Istanbul, August 12 (XINHUA)—Military base for U.S. spy plane might be shifted to Turkey after Greece closes the U.S. military base in Elenikon according to Turkish daily "MILLIYET" today.

The paper reported that the U.S. spy planes of RC-135 (model Boeing-707) have to find another base as the Greek Government has decided to close the U.S. military base in Elenikon.

A contingency plan has been worked in Washington for this purpose, the paper quoted reliable sources as saying.

The spy planes can also move from Elenikon to the Greek island of Crete but the Greek Government is firmly against this U.S. proposal.

The paper quoted an authoritative Pentagon source as saying that since the U.S.-Greek talks on the military bases are still going on, much cannot be said at this stage.

However, Washington has worked out a plan concerning the possible closure of U.S. military base in Elenikon, the source said.

After the Greek Government decided to close the U.S. base in Elenikon, Pentagon has turned its eyes on its military bases in Izmir and Incirlik of Turkey.

In the U.S. base in Incirlik, there have already been activities of the U.S. Central Intelligence Agency and the National Security Agency and it is possible for U.S. spy planes of RC-135 to use this base, the paper quoted a Pentagon official as saying.

The U.S. spy planes RC-135 now in Elenikon made regular flights to watch the developments in the southwest of the Soviet Union, Turkey, the Mediterranean, the Middle East, and North Africa.

However, their main task is to make flight to monitor the telecommunications inside the Soviet Union to gather the military information including the Soviet's experiment of missiles.

The RC-135 planes are equipped with highly sensitive listening device and can fly at an altitude of 35,000 feet for photographing, the daily added.

**U.S. To Deliver F-4E Phantom Jets to Turkey**

OW1308043388 Beijing XINHUA in English  
2348 GMT 12 Aug 88

[Text] Ankara, August 12 (XINHUA)—The United States will deliver 46 F-4E Phantom jet fighters as "free gift" to Turkey next year, according to Turkish daily "TERCUMAN" today.

The delivery of the F-4E Phantoms is part of the U.S. military aid to Turkey, said the newspaper.

The deal of Phantoms was achieved during last week's visit to Turkey by U.S. Defense Secretary Frank Carlucci.

In return, Turkey approved the renewal of a U.S.-Turkish defence cooperation pact giving Americans access to a dozen military installations on its territories, the paper added.

Carlucci had assured the Turkish leaders of the U.S. willingness to help Turkey in realizing its defence modernization. But, he hoped that Turkey would provide new military bases for America after an expected closure by the Greek Government of the U.S. bases in Elenikon and other places.



### **Iranian Official on Ties With U.S., USSR**

OW1508032388 Beijing XINHUA in English  
0022 GMT 15 Aug 88

[Text] Tehran, August 14 (XINHUA)—Iran will not normalize its diplomatic relations with the two superpowers unless they give up their hostile attitude towards Iran, Iran's Deputy Foreign Minister Mohammad Javad Larijani said. In a televised interview Saturday night, Larijani said that the Soviet Union's full support to Iraq in the course of the Gulf war has badly damaged its interests in Iran. "If the Soviet Union had adopted an impartial or at least a moderate stance on the Iraqi-imposed war, Tehran-Moscow ties would have considerably expanded, Iran's ISLAMIC REPUBLIC NEWS AGENCY (IRNA) today quoted Larijani as saying.

Referring to Iran's ties with the United States, Larijani said Washington had been taking a hostile attitude towards Iran since the Islamic republic was founded in 1979.

"So long as the U.S. maintains such a hostile policy towards Iran, any talks with American officials on resumption of relations are meaningless," he said.

Iran has no confidence in American officials' statement on resumption of Tehran-Washington ties, he added.

"If the White House desires to hold talks with Tehran on the renewal of bilateral relations, it must first change its open hostility towards the Islamic revolution," he said.

Larijani stressed that Iran's diplomatic ties with both Eastern and Western countries were based on mutual respect and mutual interests.

He said that relations between Iran and Britain had improved and talks were underway to further improve the relations.

On the resumption of Iran's diplomatic relations with France, Canada and Britain, the senior official noted that the renewal of ties with these countries to some degree dates back before Iran's acceptance of the U.N. Security Council's Resolution 598 for ending the Iran-Iraq war.

Therefore, he said, Iranian acceptance of the resolution has no important role in this issue.

### **United States & Canada**

#### **Republican Convention Begins in New Orleans**

OW1508212588 Beijing XINHUA in English  
1743 GMT 15 Aug 88

[Text] New Orleans, August 15 (XINHUA)—U.S. Republicans kicked off their four-day national convention here this morning at the superdome stadium with hopes to boost Vice President George Bush's chance to win the White House in the fall.

Unlike the Democratic national convention, the Republican national convention will have few debates and less surprise—George Bush is the only remaining candidate in the race and, since he has already won over 1,139 delegates needed for nomination during the primary season, his nomination at the convention is almost certain.

But the Republicans have a harder job awaiting—Bush is lagging Democratic presidential nominee Michael Dukakis in polls.

Therefore, the 2,277 delegates gathered here in an attempt to try every means to present to the American voters a Republican Party with many achievements under President Ronald Reagan and a George Bush who is most capable of leading the United States.

The Republicans will introduce the real George Bush by emphasizing his life as a decent guy who has pursued excellence and stress Bush's preparation for leadership.

Through speeches, they will illustrate Bush's "background, experience and preparation for the presidency" in contrast to his rival Dukakis.

President Reagan has travelled here from Washington to highlight today's opening session in a major speech this evening at the Superdome.

The party's platform, to be adopted at the convention, is reported to be 30,000-words long, much longer than the 4,500-word platform adopted by the Democrats.

The only surprise the Republican convention will give to the voters is the selection of Bush's running mate.

Bush said he will announce his selection of his running mate at the last day of the convention.

#### **Presidential Race Assessed**

HK1608041388 Beijing GUOJI WENTI YANJIU  
in Chinese No 3, 13 Jul 88 pp 33-36, 42

[Article by Pan Tongwen (3382 0681 2429): "The 1988 U.S. Presidential Elections"—introductory passage in boldface as published]

[Text] The victories of Bush and Dukakis in the primaries show that moderate conservatives and moderate liberals are the mainstream in the Republican and Democratic Parties respectively. While Bush's position corresponds more or less with the existing policies of the Reagan administration, Dukakis stresses the role of government and domestic planning, maintains a positive attitude towards disarmament, is more optimistic about U.S.-USSR relations, and emphasizes greater assistance to the Third World. The current political atmosphere and popular sentiments in the United States are favorable to Dukakis and a repeat of the 1960 election is quite possible.

The initial stage of the U.S. presidential race which began with the Iowa primary on 8 February this year will come to an end on 7 June. Vice President Bush already has victory in his hand, and is certain to be nominated as the Republican Party's presidential candidate. On the other hand, Massachusetts Governor Dukakis is still locked in a neck-to-neck battle with the black civil rights movement leader Jackson. However, it is a foregone conclusion that he will eventually be nominated as the Democratic party presidential candidate. With the conclusion of the contention for party nominations, the next stage is the actual battle between the two parties' presidential candidates. In fact, Bush and Dukakis have already hurled criticisms and accusations at each other. A new battle has begun.

#### 1. The Republican Primaries were Essentially a Battle Between Moderate and Ultraconservatives [subhead]

Six presidential candidates fought for the Republican party nomination in a fight which, relatively speaking, cannot be said to have been intense. Bush defeated all his rivals in just a few rounds. After the "Super Tuesday" primary held on 8 March, Bush's remaining rivals were the Republican's Senate leader Dole and tele-evangelist Robertson. Not long after, Dole announced his withdrawal from the race, while Robertson suspended his campaign (but he officially withdrew from the race on 16 May), leaving Bush as the lone player. After the Pennsylvania primary on 26 April, Bush's total share of delegates exceeded the required 1,139 votes, assuring him of the nomination. Dole, like Bush, is basically a Republican moderate conservative. His unexpected early loss to Bush stems primarily from his failure to advance a clear policy stand. Poor campaign organization and insufficient campaign funds are other major factors. Moreover, the bad temper he exhibited in the latter stage of the campaign also impaired his image among voters. On the other hand, Robertson represents the rightist religious force within the Republican Party. He put up a good show in the beginning, leading the race in some states, but gradually lost his momentum after his poor performance at the crucial "Super Tuesday" primary. However, the most spectacular loss was that of New York Representative Kemp. Once the darling of the Republican ultraconservatives, Kemp was quite popular a few years back and had been regarded as the ideal successor to Reagan. Some people had predicted that he would become Bush's biggest threat in 1988. But Kemp was never ahead in any state in this year's campaign, an indication that ultraconservatism, quite popular for a while in the early 80s, has lost its attraction. Kemp and Robertson's defeats show that the ultraconservative force no longer occupies a leading position within the Republican Party. Aside from having the richest campaign fund, the best organization, and basking in Reagan's glory, the main reason behind Bush's easy triumph over all his rivals lies in the fact that he is not too much of an extremist or a radical, and is politically a moderate conservative.

#### 2. The Democratic Party's Primaries were Essentially a Battle Between Moderate and Ultraliberals [subhead]

Seven people fought for the Democratic Party's presidential candidate nomination. While none of them possessed high visibility (they were dubbed the "Seven Dwarfs" by the press), the battle was intense and no clear leader emerged for a long time. Representative Gephardt, who batted for trade protectionism, earned considerable support during the initial stage and was the front-runner for a while. Senator Simon, who promoted Roosevelt's "new politics" ideas, scored well in a few states. Senator Gore, a conservative in defense and security issues, also caught attention when he made an astounding showing in some southern states during the "Super Tuesday" primary. But the real threat to Dukakis came in the form of the radical liberal, Jackson. In the 1984 presidential elections, Jackson, running for the Democratic party nomination, proposed the formation of a "Rainbow Coalition" - in truth, composed mainly of blacks - to oppose whites. He won the support of three-fourths of the black votes and more or less 5 percent of white votes, and came third after Mondale and Hart. This year, he expanded the "Rainbow Coalition" to include middle- and lower-class whites, and called on all poor people to unite and oppose the rich. Consequently, he gained the support of roughly 90 percent of the country's black voters and 10 percent of white voters (the proportion of white support in some states reached as high as 15 to 25 percent). He scored remarkably well at the "Super Tuesday" primary where his share of delegates was exceeded only by Dukakis. Later, in a party meeting in Michigan, where blacks account for only 12 percent of the population, Jackson defeated the then leader Dukakis by an unexpected margin of 2 to 1, and pushed his share of delegates to within striking distance of Dukakis. The emergence of this so-called "Jackson phenomenon" caused shock and alarm among Democratic party leaders. The primary reason for this phenomenon was that some of Jackson's proposals and suggestions were very appealing to parts of the voting population. For instance, in zeroing in on the economic and drug problems which are of common concern to Americans, he urged that the American Government "stop the flow of work out of America and the flow of drugs into America". This struck a responsive chord with voters. His other proposals, such as the call for large-scale reduction in military expenditure in favor of expansion in domestic planning, establishment of "popular and comprehensive health insurance system", and implementation of equal pay for equal work by both sexes, gained the support of both the middle and lower classes and of women. However, because Jackson is a black, he is still a victim of serious racial discrimination. Moreover, some of his proposals were deemed as "too radical" and unacceptable by many voters. Hence, the "Jackson phenomenon" was not able to sustain its momentum. Following his loss to Dukakis in the New York state primary, he was again defeated in Pennsylvania and other states, and even as he vows to fight to the very last, he definitely has no hope of winning the



nomination. It is estimated that at the end of the primaries, Jackson's total share of delegates will have exceeded 1,000 votes, or one-fourth of all Democratic delegates' votes.

The victories of Bush and Dukakis over their respective rivals in their parties indicate that moderate conservatives and moderate liberals are the mainstream in the Republican and Democratic parties respectively.

### 3. The Platforms of Bush and Dukakis [subhead]

The policy stand outlined by Bush in his campaign corresponds more or less to the existing domestic and foreign policies of the Reagan administration. He advocates a limited government role; reduction of federal budgetary deficits without resorting to increased taxation; promotion of education, science and technology to enhance the United States' competitiveness; adherence to free enterprise and free trade and opposition to trade protectionism.

On defense and foreign affairs, he stresses the need for the United States to remain strong and "to act from a position of strength"; development of the Strategic Defense Initiative plan, and modernization of nuclear weapons; he also urges "continued U.S. participation in world affairs", and that "the United States must not withdraw from the world economic stage." He favors continuing talks with the Soviet Union, striving for conclusion of more arms control agreements, keeping NATO strong and maintaining close ties with Western Europe, but that Western Europe must assume a "fair share" of defense expenditure; strengthening ties with China and preserving close relations with Japan.

On Third World affairs, he urges promotion of "the forces for reforms and freedom" and support of "fighters for freedom and democracy".

On the other hand, Dukakis advocates playing up the role of government as he believes in the need to cut federal budgetary deficits primarily through strict enforcement of the tax collection system and not through cutbacks in domestic planning. He is against trade protectionism, but favors the carrying out of retaliatory action against countries with unfair trade practices. He stresses the need to build a good economic future for the United States, create economic opportunities and enable everyone to enjoy the advantages of a good job, good housing and medical attention. He proposes the establishment of a development fund for economically depressed areas, extending "reasonable" subsidies to boost prices of agricultural products, and raising minimum wages. He also favors vigorous development of science and technology as well as upgrading of educational standards to promote economic development. He urges "close" coordination and cooperation between government, enterprises and labor in order to enhance

the United States' productivity and competitiveness. In addition, he emphasizes the need for resolute efforts to stop the proliferation of drugs.

On defense issues, he stands for the maintenance of the present level of military expenditure, and stresses the improvement of conventional weapons and not the development of new strategic weapons; cutback in research funds for strategic defense initiative plan; strict enforcement of the ABM Treaty, initiation of talks for comprehensive nuclear test ban, further reductions of strategic nuclear weapons following the conclusion of an agreement to cut down 50 percent of strategic nuclear weapons, as well as continuation of talks on the reduction of conventional weapons and restriction of antisatellite weapons. On foreign relations, he stresses that U.S. diplomacy "should reflect the primacy of human rights and American values", that the role of world organizations such as the UN in international affairs should be promoted, that multilateral diplomacy should be encouraged, and that conflicts should be resolved by diplomacy and not by force. He believes that Gorbachev represents a "genuine change" which gives the United States an opportunity to improve relations with the Soviet Union, an opportunity that the United States should exploit to the hilt; he also attaches much importance in relations with Western Europe but thinks that the latter should assume a "fair share" of defense expenditure; he advocates assistance to the Third World, easing of debt burdens of some countries, terminating assistance to the Nicaraguan contras, and strict sanctions against South Africa.

Comparing Dukakis' platform with that of Bush, it is not hard to see that Dukakis places more importance in the role of government and in domestic planning, and gives more weight to "individual" as well as to socioeconomic issues. He puts less emphasis on military issues, takes on a positive attitude towards disarmament, is quite hopeful about U.S.-USSR relations, stresses the necessity of aid to the Third World, and advocates a more active role for the United Nations and the resolution of conflict by diplomacy and not by force.

If Bush is elected president, it would appear that the next U.S. Government will basically carry on with the policies of the current Reagan administration. In fact, Bush has already indicated that if elected, he will not change the present direction of government. On the other hand, if Dukakis is elected president, the domestic and foreign policies of the next U.S. Administration will see some adjustments, but owing to constraints from various objective factors, the adjustments will not be great.

### 4. Strong and Weak Points of Bush and Dukakis [subhead]

Bush is well-known throughout the country. Aside from his 8 years as vice president, he served as chairman of the Republican National Committee, director of the Central Intelligence Agency, ambassador to the United Nations,

and chief of the Liaison Office in China. Therefore, he has rich experience both in government and in foreign affairs. Naturally, he has his share of accomplishments in the Reagan government's 8 years in office. All these are important political capital in his campaign. Moreover, the optimistic outlook in this year's U.S. economy will also be very favorable to him. However, Bush's biggest shortcoming is his perceived image of being "weak" and "indecisive". During his 8 years under Reagan, he was pretty much a yes-man and never expressed his own ideas nor made any remarkable undertakings. Then, there is his involvement in the "Irangate" affair. The extent of his involvement and his role in this matter remains unclear to this day, and may very well be used by his opponents in the elections. The latest series of scandals in the Reagan administration, such as the Justice Department's investigation of Attorney General Edwin Meese, Reagan's revelation of the Reagans' private secrets, and the collapse of the Reagan administration's attempt to topple the Panamanian strongman Noriega—all these have seriously impaired the image of the Reagan administration and may affect, if they have not already done so, Bush's campaign.

Dukakis has been in government for a relatively shorter period than Bush, having served as Massachusetts governor for only 9 years; hence, he is not as widely known as Bush. Besides, he has no experience in foreign affairs and this is his shortcoming. However, the exceptional skill he demonstrated in managing Massachusetts is his biggest political asset. Under his governorship, Massachusetts' high-tech industry developed rapidly, the state's budgetary deficit was transformed into a surplus, while the unemployment rate dropped to half the country's national average. These gave rise to the so-called "Massachusetts miracle" which became celebrated around the country. This accomplishment of his was witnessed by many and acclaimed by all. In view of the current popular concern about the federal economy, this asset becomes more appealing. In addition, Dukakis showed calm composure, moderation, and skillful application of strategy and tactics in the campaign. He often succeeded in putting himself in a winning position. All these left a very good impression among voters, and even some White House aides were impressed, praising him as a "polished politician". Nixon also described him as a very "strong" opponent and a "tough candidate".

At present, both Bush and Dukakis are using their respective assets to attack the other side's shortcomings. Bush tries hard to magnify the achievements of the Reagan administration, hoping that the voters would cast their votes for him on this point. At the same time, he calls Dukakis another Carter, another big spender without diplomatic experiences and a liberal unwilling to flex U.S. muscles overseas. For his part, Dukakis questions Bush's theory of his having rich political experience, pointing out that he played no role in the Reagan administration and made "zero achievements". At the same time, he singles out the "errors and shortcomings" of the Reagan government, notably the mistakes in

foreign policies (as in Central America) and its apathy in social issues (as in dealing with the poor and the drug policy), and stresses that "I can do better". As for Bush's description of him as another Carter and his request for voters to pick him because of the Reagan government's achievements, Dukakis emphasized that the objective of this election was the future and not the past, hence, the two men should fight each other on the basis of who has the "strength, experience and moral values to lead America".

With the intensification and development of the campaign, the two camps will definitely come up with new strategies and methods to hurl attacks and criticisms at the other side.

##### 5. The Current Political Atmosphere and Popular Sentiments in the United States [subhead]

The political atmosphere and popular sentiments in the United States have undergone a transformation in recent years. This will have an effect in this year's presidential elections.

In the late 70s, serious economic stagnation and the declining international prestige of the United States contributed to the rapid ascension of conservatism in the country. It was on such a backdrop that Reagan assumed the presidency. With his vigorous promotion, ultraconservative trends prevailed in the United States for many years, but started to show signs of deterioration in the second half of 1986. The results of the 1986 mid-term elections are solid proof. Along with changes in the political atmosphere, the people's attitude towards some issues changed correspondingly. An example is the view on the role of government. When conservatism was on the rise in 1980, 54 percent of Americans favored "small government", while 32 percent were opposed to it. Today, those in favor of "small government" have dropped to 43 percent, while those in favor of "big government" have risen to 44 percent (this is the first time since November 1976 that the proportion of those in favor of "big government" attained such a high figure). An opinion poll conducted in mid-May this year showed that not only do young people want government to play an active role, but such a trend was prominent in the entire voting population. Another example is the views of people on what constitutes the most important issue. According to the opinion polls, people in 1984 regarded control of nuclear weapons as the most important issue. Today, it is socioeconomic problems, such as the double deficits, the decline in U.S. competitiveness, poor quality of education and proliferation of drugs. In addition, the people's view of the Democratic Party has also changed. When voters were asked recently which party can best deal with the U.S.' most important problems, 40 percent answered the Democratic Party (only 29 percent said it was the Republican Party). The Democratic Party has not enjoyed such an overwhelming edge on this question since 1980.

According to the latest opinion polls, American voters today generally acknowledge the Reagan administration's achievements in reducing taxes, lowering the inflation rate and increasing U.S. military might, but they are not satisfied with the present situation. They are very concerned about the major issues mentioned above. As Nixon said, Americans today feel "insecure amidst their affluence"—this is the sentiment of the American people now. Owing to a feeling among many voters that the Reagan administration has not dealt with the perceived major issues properly, there is a popular mood in favor of change. The most recent opinion poll showed that 60 percent of the respondents hope that the next U.S. Government will not carry out Reagan's policies, and, instead, will adopt new guidelines to correct Reagan's mistakes and pay more attention to "social and economic justice".

#### 6. Dukakis Takes the Lead From Bush [subhead]

Before March this year, the opinion polls showed Bush consistently ahead of Dukakis. However, by mid-May, the lead changed hands with Dukakis overtaking and leading Bush by 10 to 16 points. He is also ahead in all regions around the country, including California, which has been a Republican stronghold since 1964. Support for Dukakis comes principally from women, union members, Roman Catholics and blacks, with the primary reason for such support being attributed to the belief that he could best settle the federal deficit problem. The recent remarkable rise in Dukakis' reputation is also related to the continuing spate of scandals within the Reagan government, which can only be self-destructive. But more than anything else, it is Dukakis' recent string of victories in his campaign which helped to publicize his platform and skills, notably the "Massachusetts miracle", and thereby enhance his appeal with voters. Nonetheless, it should be pointed out that he is still a neophyte and that most people's knowledge about him remains shallow and superficial, hence support for him may still change. Whether he can sustain such high proportion of support until 8 November is hard to say.

It is still 5 to 6 months before election day and many things are still changing. Many factors that could influence election results remain uncertain, such as Bush's and Dukakis' choice of running mates; results of the projected debates between the two candidates; the state of the U.S. economy on the eve of the elections; and others—all these are impossible to foresee. Hence, it is difficult to make a reliable assessment of the election results now.

Looking at the present situation, the next stage of the campaign will be very difficult for Bush and Dukakis and it is unlikely that the landslide margins of 1980 and 1984 will recur. If the political atmosphere and popular sentiments are to have some decisive effect on the election results, then a repeat of the 1960 election results is possible. In that election, Republican President Eisenhower had been in power for 8 years, and a mood for

change was stirring the voters. As a result, Democratic presidential candidate John Kennedy defeated Nixon by a slim margin and moved into the White House.

#### Survey Shows Rise in Americans' Trust of USSR OW1308050988 Beijing XINHUA in English 0004 GMT 13 Aug 88

[Text] Washington, August 12 (XINHUA)—A recent survey shows that 71 percent of the U.S. voters trust the Soviet Union enough to believe that the United States and the Soviet Union can sign a treaty to eliminate most nuclear weapons by the year 2000.

The survey conducted by pollster Daniel Yankelovich in July also indicated that 60 percent of the registered voters, down from 76 percent before Mikhail Gorbachev took office, regard the Soviet Union as "a serious threat" to the United States, and more than a third trust the Soviets "not at all."

The survey through telephone interviews with 1,000 voters was one of several commissioned for "Americans Talk Security," a series of surveys on national defense and security issues financed by Boston businessman Alan F. Kay.

The poll noted that 68 percent of the voters, representing 7 percent increase as compared in March, believe the U.S.-Soviet relations are improving.

On the issue of selling non-military high technology to the Soviet Union, only 36 percent believe that it can do. [sentence as received]

However, 34 percent of the voters polled said that the development of the Strategic Defense Initiative (SDI) should be stopped and other 28 percent even favor sharing SDI technology with the Soviet Union as the project is developed.

The majority of the voters also believe that the two superpowers can also cooperate with each other in stopping illicit drug trafficking, halting environmental pollution, fighting terrorism and resolving conflicts in the Middle East and other trouble spots.

#### American Psychiatrists Gather for Beijing Seminar OW1408181988 Beijing XINHUA in English 1447 GMT 14 Aug 88

[Text] Beijing, August 14 (XINHUA)—Nearly 400 psychiatrists from China and the United States gathered to deal with mental diseases at a seminar which opened here today.

At the opening Gu Yingqi, Chinese vice-minister of public health, expressed his hope for further joint efforts in the field to promote health care of mankind.



proposed spending-cut in the Strategic Defense Initiative (SDI), known as "Star Wars" program, and restrictions contained by the budget on nuclear arms control policy.

The House-Senate Conference Committee will meet after the Labor Day to resolve the differences between the two defense bills passed separately by the House and the Senate.

The House passed the defense bill two months ago, which contains neither of the amendments voted today.

Another amendment to the bill passed today requires consultants to register and detail all their clients and contracts.

The bill was an appropriation bill, which contains money to pay for programs listed by separate authorization legislation in the two-step congressional budget process. However, the total figure of the bill may be changed by the House-Senate Conference Committee.

#### **Canadian Dance Troupe Makes Debut in Beijing**

OW1308041288 Beijing XINHUA in English  
1502 GMT 12 Aug 88

[Text] Beijing, August 12 (XINHUA)—Featuring a kaleidoscope of different dancing styles, the visiting Canadian Panda Dance Theatre entertained some 2,000 Chinese viewers with classic ballet, modern piece and traditional Chinese dances in its China debut here this evening.

Founded in 1985 by the troupe's director Fu Xingbang, the dance troupe strives to combine oriental and Western dancing styles, thus creating a unique style of its own.

An official from the China International Culture Exchange Center said that it is an experiment to present such a collection of dance pieces in different styles, including jazz and break dance, before the Chinese audience.

The troupe is scheduled to visit Guangzhou, Nanjing, and three other southern Chinese cities in the coming 2 weeks, following 2 additional performances in Beijing.

### **Soviet Union**

#### **Heilongjiang Port Opens to Soviet Vessels**

OW1308045688 Beijing XINHUA in English  
0154 GMT 13 Aug 88

[Text] Beijing, August 13 (XINHUA)—Northeast China's Heilongjiang Province will open Harbin Port to ships from the Soviet Union in the near future.

Today's overseas edition of the "PEOPLE'S DAILY" reported this quoting a senior Heilongjiang River navigation official.

The part of the river which forms the boundary between the two countries is over 2,000 km long and bilateral trade has natural interflow points, the paper said.

As an important city in northeast China, Harbin established border trade with the Soviet Union in the 1950s. The two sides also signed contracts on utilizing the boundary river together and opening shipping lines on the Songhua River, which flows through Harbin, in 1957. Trade links were broken off subsequently.

The Harbin Shipyard has already repaired and built ships for the Soviet Union and has more on the order books, the paper reported.

#### **Heilongjiang Develops Border Trade With USSR**

HK1308050388 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0418 GMT 12 Aug 88

[Text] Harbin, 12 August (ZHONGGUO XINWEN SHE)—Local-level border trade between China's Heilongjiang Province and the Soviet Union is steadily developing, and there are nine trading ports open to the Soviet Union in this province. The annual trade volume exceeds \$100 million.

Heilongjiang Province makes use of its favorable geographical position to develop foreign trade. Tongjiang, Mengbei, Jiayin, Heihe, Huma, and Mohe have become busy ports for trade with the Soviet Union. In the eastern part of the province, another three trading ports of Raohe, Hulin, and Suifenhe have also been developed. These nine trading ports are situated by the rivers of the Heilongjiang River system and are linked with the four adjacent Soviet districts of Amur, Khabarovsk, Sakhalin, and the Maritime Territory through water courses. The transport condition for the foreign trade is very convenient. This year, some 100,000 cubic meters of timber and 10,000 tons of grain was imported through water transportation, and more than 20,000 of sundry goods were exported.

Barter trade is the main form of Sino-Soviet border trade, which is increasing. In the 1950's, the Sino-Soviet border trade was characterized by China's export of raw materials to the Soviet Union in exchange for light industrial goods; at present, China exports light industrial goods to the Soviet Union and imports its raw materials. Both sides get what they need from one another, and a new and reasonable trade pattern of mutual complement and mutual benefit has come into existence.

This year, the Foreign Economic and Technological Trade Corporation of the Heilongjiang Shipping Bureau was established, and it is authorized to hold direct trade negotiations with the Soviet Union. This makes the shipping bureau of the provincial government more optimistic about the prospects of technological cooperation, barter trade, labor export, and other aspects of economic relations with the Soviet Union. At present,

The meeting is being sponsored by the Chinese Medical Association and the American Psychiatric Association.

It is estimated that about ten out of one thousand Chinese are suffering from mental illnesses, about the same rate as in the United States.

The four-day meeting will discuss research, diagnosis and treatment of mental diseases, social factors causing these diseases and types of mental diseases in different areas and different age groups. It will also cover mental health care and psychiatric education.

**U.S. Supports Contact Between DPRK, South**  
*OW1608031888 Beijing XINHUA in English*  
2339 GMT 15 Aug 88

[Text] Washington, August 15 (XINHUA)—The United States supports direct contact between the two parts of Korea at all levels, the State Department said today.

"We have long supported direct contact between the Republic of Korea and North Korea at all levels, including the summit," State Department spokesman Charles Redman said today at a regular news briefing.

Redman were [as received] commenting on South Korea's "President" No Tae-u's proposal yesterday that he meet Kim Il-sung, leader of the Democratic People's Republic of Korea, to discuss reunification of the divided Korea peninsula.

However, Redman said, "how the two sides choose to work this out is obviously something that they're going to have to decide."

Asked whether the United States will encourage Pyongyang to accept the contact proposal, Redman said: "We would hope that other people who have the capability to encourage one side or the other will do what they can."

As for the United States, the spokesman said: "we will continue to do what we can to support the process. I don't think that our encouragement of North Korea is a very important aspect of that."

Last month, the State Department also said the United States welcomed the idea of proposed joint parliamentary meetings between the two sides of Korea.

**U.S. Official on Test Materials Incident**  
*OW1308041588 Beijing XINHUA in English*  
1539 GMT 12 Aug 88

[Text] Washington, August 12 (XINHUA)—U.S. nuclear inspectors were recently caught by Soviet authorities as they were trying to ship prohibited, potentially militarily sensitive Soviet materials to the United States, according to THE WASHINGTON POST today.

The attempted shipment by a U.S. official and two employees of private firms, who stationed at the Soviet Union's principal nuclear test site, involved materials such as tools and wire associated with Soviet nuclear test preparations as well as soil and rock samples of potential use in assessing yields of Soviet nuclear blasts, the report quoted a U.S. official as saying.

However, a senior U.S. nuclear testing official denied that the United States had deliberately set out to collect the prohibited materials, effectively engaging in spying, the report said.

The incident, which occurred on July 17, made the Soviet Union unhappy, as both countries for the first time in the atomic age have begun to allow each other to observe and closely monitor their adversary's nuclear blasts.

Export of the materials was not permitted by a U.S.-Soviet accord governing the team's visit before a special nuclear experiment next month at the site, near the city of Semipalatinsk in south-central Russia.

The Soviet Foreign Ministry protested to U.S. diplomats in private on July 25, demanding permanent expulsion of the three team members and a detailed explanation.

The U.S. official and one of the contractor's employees [words indistinct] the Soviet Union before the Soviet expulsion, the report said.

As the United States argued that the second employee was not responsible for the attempt, he is allowed to remain at the Semipalatinsk testing site pending resolution of the matter.

**U.S. Senate Approves Defense Budget**  
*OW1208165388 Beijing XINHUA in English*  
0655 GMT 12 Aug 88

[Text] Washington, August 11 (XINHUA)—The U.S. Senate today approved a second defense budget bill, attached with an amendment that requires Japan and Western Europe to increase their contributions to the allied defense.

The 282-billion-dollar defense budget, passed by a vote of 90 to 4, orders a major review of U.S. overseas commitments, a limit on U.S. troop deployments in Japan and South Korea, and a ceiling on spending for U.S. military personnel stationed in foreign countries.

Under the budget, the U.S. allies would pay the difference if deployment costs of U.S. troops rise above the 1986 levels.

The first defense bill, which proposed 299.5 billion dollars for 1989 defense spending, was vetoed by President Ronald Reagan last week because he opposes the



the shipping bureau has worked out 30 cooperation and trade projects, which include the following: China will repair a luxurious tourist boat for the Soviet Union; China and the Soviet Union will cooperate in building an automobile repair and spare parts plant and a leather processing plant on the Soviet side; the two sides will cooperate in building a paper pulp plant on the Chinese side; China will build various river ships for the Soviet Union. China will also for the first time export labor force to undertake construction projects in the Soviet Union. In August, China will send a delegation to negotiate with their Soviet counterparts about the above projects and sign official contracts.

Entrepot trade in Heilongjiang Province is also developing. China is preparing to open a Eurasian continental bridge through the water courses in Heilongjiang Province to transport goods for third countries. International tourist service lines through China and the Soviet Union will also be opened.

**Soviet Officials Visit Chinese Pavilion in Moscow**  
*OW1308074288 Beijing XINHUA Domestic Service in Chinese 0646 GMT 12 Aug 88*

[By reporter Wang Xianju]

[Text] Moscow, 11 Aug (XINHUA)—An automatic dumpling maker on display at the International Exhibition of Light Machinery in Moscow was the center of attention since the opening of the exhibition on 2 August. Seeing the cute little dumplings roll out from a seamless tube, the onlookers exclaimed: "How wonderful!"

With keen interest in the dumpling maker manufactured by the Harbin Food Machinery Plant, the visitors asked all sorts of questions and requested literature about the equipment. Some independent and cooperative operators even offered to pay cash for the maker.

The Chinese Machinery Import and Export Corporation and its Shanghai, Tianjin, and Harbin subsidiaries, as well as hundreds of companies and manufacturers from 23 other countries, participated in the Soviet Government-sponsored exhibition in Moscow from 2-11 August. On display in the Chinese pavilion, which occupied 357 square meters, were heavy-duty sewing machines, towel looms, hosiery machines, packaging machines, measuring equipment, cutting equipment, and tools.

Belousov, deputy chairman of the Soviet Council of Ministers; Biryukova, member of the Secretariat of the CPSU Central Committee; and Talyzin, member of the CPSU Central Committee Politburo [title as received], visited the Chinese pavilion on separate occasions. Belousov expressed the hope that the Soviet and Chinese Governments will make efforts to further promote the two countries' economic relations and trade.

Today the USSR Exhibition Center, sponsor of the exhibition, presented a certificate of honor to the China Council for Promotion of International Trade and the China Machinery Import and Export Corporation.

**Yakovlev, Ligachev Differ on Foreign Policy**  
*OW1308212388 Beijing XINHUA in English 1209 GMT 13 Aug 88*

[Text] Moscow, August 13 (XINHUA)—Soviet Politburo Member Aleksander Yakovlev on Friday listed priorities for Soviet foreign policy as "prevention of nuclear threat, peace, trust, cooperation and disarmament for human security and survival" in an apparent difference of opinion with the Kremlin's number two figure, Yegor Ligachev.

Addressing the Communist Party activists in Vilnius, capital of the Soviet republic of Lithuania on Friday, Yakovlev stressed interests of human beings, saying "we are also one of the most important parts in the social development of mankind."

According to some observers, his statement differs somewhat from earlier statements by Ligachev. On August 5, Ligachev said in a speech in the Soviet city of Gorkiy, that the class character in the country's foreign policy is crucial. "We proceed from the class character of international relations; raising the question in another way only confuses the minds of the Soviet people and our friends abroad," he said.

Yakovlev, who also is secretary of the Soviet party Central Committee, and is now on an inspection tour in some Soviet regions along the Baltic Sea, said that the precondition of the task "is to enable people to judicially and democratically resolve their own problems, including feeding of the hungry, protecting the environment and a reasonable assignment of land resources."

Touching on the country's national issues, Yakovlev said the Soviet campaign for more openness and democratization contributes to a democratic settlement of problems.

**Vorontsov, U.S. Envoy Discuss Arms Control**  
*OW1308183688 Beijing XINHUA in English 1423 GMT 12 Aug 88*

[Text] Moscow, August 12 (XINHUA)—Soviet First Deputy Foreign Minister Yuliy Vorontsov met here today with U.S. Ambassador to Moscow Jack Matlock and the two exchanged views over the limit on nuclear and space arms.

According to the official Soviet news agency TASS today, Matlock brought with him a letter from U.S. President Ronald Reagan and asked Vorontsov to hand the letter over to Soviet leader Mikhail Gorbachev.

But TASS did not disclose any detail of the latter.

On Monday, Soviet Foreign Minister Eduard Shevardnadze met Matlock, who passed on a letter to him from U.S. Secretary of State George Shultz.

**Soviet Officials Cited on Wage Reform Problems**  
*OW1208134388 Beijing XINHUA in English*  
1213 GMT 12 Aug 88

[Text] Moscow, August 12 (XINHUA)—A group of Soviet officials and economists have said that the problems of egalitarianism and administrative order still exist in the two-year-old reforms of the Soviet wage system.

In a recent "Round Table" meeting discussing labor rewards, Soviet officials and economists agreed that the two problems run counter to the overall reform of the Soviet economic system. The meeting was co-sponsored by the Soviet newspaper "SOVETSKAYA ROSSIYA" and the "SOCIALIST LAY" magazine.

On September 17, 1986, detailed regulations of labor rewards were issued by the Soviet Government in a resolution on reform of the country's wage structure.

The trend of egalitarianism and administrative order still remain in the new regulations, the participants said, adding that the Soviet economic reforms would be empty if the problems are not thoroughly resolved.

The participants stressed that enterprises should be granted the right to dispose of their own income.

They also emphasized that any resolution on the wage issue should also be discussed by the citizens, who are most interested in the matter in the current Soviet perestroika or reform drive.

**Northeast Asia**

**Japan's Hirohito Marks Surrender Anniversary**  
*OW1508173588 Beijing XINHUA in English*  
1414 GMT 15 Aug 88

[Text] Tokyo, August 15 (XINHUA)—Japan marked the 43rd anniversary of the end of World War II today with Prime Minister Noboru Takeshita refraining from a visit to a shrine dedicated to war dead obviously in an effort to avoid criticism from Asian nations that suffered heavily from Japanese aggression.

Emperor Hirohito led a memorial ceremony in Tokyo's Budokan where some 7,400 people including relatives of the war dead, gathered to pray for the repose of the 3.1 million Japanese who died in the war.

Hirohito, wearing a formal morning suit and looking frail, walked unsteadily up a white dais and faced a pillar inscribed, "souls of the nation's war dead." He bowed his head along with the crowd for a minute of silence to mourn for the dead and pray for peace.

"Even now my heart hurts when I think of the many people who fell in the last war," the 87-year-old emperor said in an address to the gathering.

It was on August 15, 1945 that Japanese first heard the voice of Hirohito, until then worshipped as a deity, addressing them over the radio to announce Japan's surrender.

Meanwhile, Takeshita said at the gathering that he would not ignore the "noble sacrifices" of those Japanese who died in the war and that he would "take deeply to heart" the lessons learned from the war.

He also pledged to exert his "utmost efforts" for the realization of world peace and to make increasingly wealthy Japan a nation "harmonious with international community."

The 64-year-old Japanese leader, who assumed power last November, skipped his visit to the Tokyo-located Yasukuni Shrine, a Shinto place where ceremonies were held for the more than 2.5 million Japanese war dead including war criminals.

However, eleven out of 21 cabinet ministers, including Vice Prime Minister Kiichi Miyazawa, and a group of 204 Diet members from the ruling Liberal Democratic Party visited the shrine today.

Other ceremonies were held in 41 places throughout the country, including ceremonies in Hiroshima and Nagasaki, the world's only two victims of atomic bombs.

**Commentary on Anniversary**

*OW1508174388 Beijing XINHUA Domestic Service*  
in Chinese 1517 GMT 15 Aug 88

["Commentary: 15 August, 43 Years in Retrospect" by XINHUA Reporter Zhu Ronggen]

[Text] Tokyo, 15 Aug (XINHUA)—This year 15 August marks the 43d anniversary of Japan's declaration of unconditional surrender. Called by the Japanese Government "War End Memorial Day," it has been ceremoniously celebrated every year since 1963.

As in the past, the Japanese Government, all political parties and mass organizations, and various sectors of society held meetings in Tokyo today to commemorate, in different forms and for different purposes, this unforgettable day in history. In the view of observers here, "15 August" this year is different in the following three aspects:

First, the number of cabinet members visiting Yasukuni Shrine, where Hideki Tojo and other Class A war criminals are worshipped, decreased to 13 from 16 last year, the smallest since 1980, and the number of those visiting the shrine in an official capacity was down to 1 from 5 last year. Earlier, Chief Cabinet Secretary Keizo Obuchi,

in view of Prime Minister Noboru Takeshita's upcoming visit to China, urged cabinet members to exercise discretion in visiting Yasukuni Shrine. Therefore, the smaller number of cabinet members visiting the shrine indicates, on the one hand, a certain degree of Takeshita's influence and, on the other, an established practice by cabinet members to visit the shrine, which has become a social trend and basically cannot be changed.

Second, the concept of "Japan as a war victim" has been greatly enhanced, while the history of "Japan as the wrongdoer of the war" has almost been written off. ASAHI SHIMBUN, in an editorial published today, said: "As for the war, the Japanese often take the stand of a victim and are not aware of all the wrongdoings." Takako Doi, chairman of the Japan Socialist Party, said on 8 August that the concept of Japan as an aggressor nation in World War II has been weakened and that "this is a problem confronting Japan today." It is precisely against this background that the Japanese education authorities are stepping up their effort to play tricks with the textbooks. The purpose of changing the word "invasion" to "advance" is none other than to teach the younger generation that Japan was compelled to launch the war, and that the "Imperial Army" was not as brutal as people said. This is why a series of incidents involving [former Japanese cabinet ministers] Fujio, who declared "aggression as not guilty," and Okuno, who praised "aggression as meritorious," have occurred. It seems that such views will be repeated in the future.

Third, with the readjustment and changes in defense strategic thinking and its markedly increased economic strength and scientific and technological forces, Japan, as a defeated nation, has today become one of the very few "military expenditure powers." With only 120 million population, Japan spends as much as US \$29 billion on its military expenditures, and its military industry is rising rapidly. This cannot but arouse the misgivings and vigilance of its Asian neighbors who were previously victimized by Japan.

Japan should genuinely bear in mind the lessons drawn from the war and never repeat the old path of war. It should take concrete actions to "contribute to world peace." In commemorating "15 August," Japan should realize that only by so doing can it win trust from its neighbors in Asia.

**Japan Welcomes 'Expanded' PRC-Taiwan Relations**  
*OW1608094988 Beijing in Japanese to Japan*  
0930 GMT 15 Aug 88

[Text] According to a Beijing Radio Tokyo correspondent's report quoting from the TOKYO SHIMBUN 14 August issue, the Japanese Government is positively viewing and welcoming the relations being expanded between the Chinese continent and Taiwan, and Prime Minister Takeshita will convey this view to Chinese leaders when he visits China in late September.

The TOKYO SHIMBUN report further says that the stand of the Japanese Government with regard to the Kokaryo dormitory issue is not one that creates "two Chinas" or "one China and one Taiwan."

**Jilin's He Zhukang Meets With Japanese Guests**  
*SK1308072988 Changchun Jilin Provincial*  
*Service in Mandarin 2100 GMT 12 Aug 88*

[Text] At the invitation of the Ministry of Public Health, Ryutaro Hashimoto, member of the Japanese House of Representatives and [words indistinct], and his entourage arrived in Changchun on 12 August by plane, accompanied by Gu Yingqi, director of the Foreign Affairs Department under the Ministry of Public Health. Greeting them at the airport were [words indistinct], director of the provincial Foreign Affairs Office; (He Jianguo), director of the provincial Public Health Department; and (Shen Xianyao), deputy president of Bethune Medical University.

On the afternoon of 12 August, Ryutaro Hashimoto and his entourage paid an official call to the provincial Government; and Governor He Zhukang briefed the distinguished Japanese guests on the province's current situation and praised them for their endeavor to develop friendly relations between China and Japan by giving free support to Bethune Medical University to build a new hospital. [words indistinct] During the official call, Wang Zhongyu and Liu Xilin, vice governors of the province, and Wang Yunkun, secretary general of the provincial Government, also joined the occasion.

On the evening of 12 August, Governor He Zhukang hosted a banquet at Nanhu Guesthouse in honor of Ryutaro Hashimoto and his entourage. Present at the banquet were Hui Liangyu, vice governor of the province; (Xia Duanlie), mayor of Changchun City; (Li Jieche), director of the provincial Foreign Affairs Office; (He Jianguo), director of the provincial Public Health Department; and (Huang Yutian), vice chairman of the provincial Economic and Trade Commission.

During their stay in Changchun, Ryutaro Hashimoto and his entourage will inspect the site selected for building a new hospital; will visit Bethune Medical University, the provincial hospital, and the provincial Public Health Center; and will confer with Bethune Medical University on matters relating to the support to build the new hospital.

**Japanese Culture Delegation Honored at Banquet**  
*OW1408155188 Beijing XINHUA in English*  
1409 GMT 14 Aug 88

[Text] Beijing, August 14 (XINHUA)—A 43-member Japanese art and culture delegation led by Kimiko Fujimoto, well-known Japanese folk dancer, were honored at a dinner here tonight.



The Japanese visitors, who arrived here yesterday, are here for exchanges with their Chinese colleagues on the occasion of the 10th anniversary of the signing of the China-Japan Peace and Friendship Treaty.

They will also perform at northeast China's Changchun City, where Fujimoto spent 10 years when young.

#### **Jilin Sends 41 Students to DPRK for Study**

SK1408061588 Changchun Jilin Provincial Service in Mandarin 2100 GMT 13 Aug 88

[Text] This year our province will select and send 40 university students and 1 graduate student to study in the DPRK. This will be the province's largest group of students ever sent to the DPRK for study abroad.

To achieve success in the education, before their departure the provincial Education Commission held a 10-day study class in Changchun for the students. The class began on 13 August at the Changchun University. The students will be sent to relevant institutions of higher learning in the DPRK early this September to study architecture, architectural engineering, urban planning, [passage indistinct].

The students were selected from among applicants who had been recommended by universities and colleges and passed the state higher examination conducted for students of regular universities and colleges of the province.

#### **DPRK Agrees to Joint Parliamentary Meeting**

HK1308080788 Beijing RENMIN RIBAO in Chinese 11 Aug 88 p 6

[Report by Xu Baokang (1776 1405 1660): "DPRK Agrees to Hold Preparatory Meeting for Joint Parliamentary Conference"]

[Text] Pyongyang, 9 August—Today, Yang Hyong-sop, chairman of the Standing Committee of the Supreme People's Assembly of DPRK, sent a reply to Kim Chae-sun, speaker of the National Assembly of South Korea, agreeing with the proposal put forth by the South on the holding of a preparatory meeting for the North-South joint parliamentary conference.

Yang Hyong-sop sent a letter to Kim Chae-sun in reply to the latter's letter on 1 August. Kim Chae-yong agreed to hold a North-South joint parliamentary conference and proposed that a preparatory meeting be first held in Panmunjom in that letter.

According to the report by the KOREAN CENTRAL NEWS AGENCY, Yang Hyong-sop said in his reply that the North is willing to hold a preparatory meeting with the South for the joint conference, and proposed that the preparatory meeting be held at 1000 on 17 August in Panmun House on the northern side of Panmunjom with both sides sending three to five parliamentarians to attend the meeting.

The reply letter also proposed that the first meeting of the North-South joint parliamentary conference be held on 26 August in either Pyongyang or Seoul.

#### **South Korea Responds**

HK1308081288 Beijing RENMIN RIBAO in Chinese 11 Aug 88 p 6

[Report by Xu Baokang (1776 1405 1660): "South Korea Agrees to Hold Preparatory Meeting for Joint Parliamentary Conference at Panmunjom"]

[Text] Pyongyang, 10 August—According to a report from Seoul, the speaker of the National Assembly of South Korea held a meeting with the chairmen of the policy committees of the four political parties, and decided to respond to North Korea's proposal for holding a preparatory meeting for the North-South joint parliamentary conference on 17 August in Panmunjom.

Reportedly, the two sides put forth different proposals on the form of the meeting. The North proposes that representatives of social organizations and political parties also participate in the joint parliamentary conference, while the South proposes that the conference be held only between the two parliaments in the North and South. Yi Tong-pak, director of the Secretary Office of the National Assembly Speaker of South Korea, said that the National Assembly will further study this issue and pass the South's opinion to the North within this week.

#### **South Korean Police Detain Over 2000 Students**

OW1308000288 Beijing XINHUA in English 1344 GMT 12 Aug 88

[Text] Beijing, August 12 (XINHUA)—South Korean police have detained more than 2,000 students over the past 2 days who protested to push a demand that they be allowed to meet their northern counterparts for reunification talks Monday at the truce village of Panmunjom.

A South Korean National Police spokesman said today that police detained 2,099 students Wednesday and Thursday in Seoul and major provincial cities, according to a UNITED PRESS INTERNATIONAL (UPI) report from Seoul.

All have been released with warnings except 236 who are still under questioning, the UPI report quoted the spokesman as saying. He said those involved in extreme violence will be arrested and charged.

South Korean President No Tae-u said disturbances caused by the student demand must be firmly coped with as they could affect the Seoul Olympic Games scheduled to start on September 17, the report said.

Prosecutor General Yi Chong-nam has ordered law-enforcement agencies to harshly deal with students who attack or try to seize public facilities.

During 2 days of street demonstrations, students attacked 13 police stations, burned 4 police vehicles, and took away 155 tear gas grenades, 26 police shields, 34 helmets, and 17 police clubs, the UPI report quoted the police spokesman as saying.

Student leaders vowed that they will defy a government ban and will march to Panmunjom, 56 kilometers north of Seoul, for planned reunification talks with students from the northern half of Korea on August 15, Korea's Independence Day, according to the report.

South Korean students made a similar attempt on June 10, which was crushed by police.

#### **Student March Blocked**

OW1308203088 Beijing XINHUA in English  
1358 GMT 13 Aug 88

[Text] Beijing, August 13 (XINHUA)—Some 200 South Korean students were detained today in Seoul in fresh clashes with police blocking them marching to the truce village of Panmunjom for reunification talks Monday with their northern counterparts.

According to an ASSOCIATED PRESS (AP) report from Seoul, some 1,000 students threw hundreds of petrol bombs in a series of attacks around Yonsei University campus early today in an effort to break a blockade formed by thousands of riot police.

Police also drove back about 200 firebombs-throwing students who tried to March from the Myongdong Roman Catholic cathedral in downtown Seoul, the AP report said.

Students claimed that more than 7,000 students across South Korea have volunteered to join a rally at Yonsei that will last till August 15, Korea's independence day.

They have planned to March to Panmunjom that day to meet students from the northern side of Korea to discuss reunification of the Korean peninsula and the cohosting of the Olympic Games scheduled to start on September 17 in Seoul. South Korean authorities banned the march and the talks.

Police have arrested more than 2,500 students in street demonstrations across South Korea since Wednesday, the AP report said. All except 400 of them were released with warnings, it added.

Also today, Minister for Government Administration Kim Yong-kap warned of "serious" government action against leftist forces after the Seoul Olympic Games that end on October 2.

"The government cannot but make a grave decision after the Olympics if the current political situation continues," the AP report quoted Kim as saying.

Kim accused students of "seeking to disrupt the Olympics and overthrow the government by seizing on unification." He also charged opposition parties, which urged the authorities to allow a peaceful student march to Panmunjom, with backing students out of selfish intentions to grab power, according to the report.

#### **S. Korea, U.S. Discuss Army Headquarters Move** OW1308003288 Beijing XINHUA in English 1339 GMT 12 Aug 88

[Text] Beijing, August 12 (XINHUA)—The United States and South Korea have agreed in principle to remove the U.S. Army Headquarters from Seoul to the countryside amid anti-American moods in Seoul, the AGENCE-FRANCE PRESS (AFP) reported today.

An unidentified South Korean Government source said Seoul and Washington have agreed "in principle" to relocate the 8th Army Command to a remote area, the AFP report quoted the local press as saying today.

South Korean Foreign Ministry spokesman Kim Sok-kyu said the two sides have been exchanging views on the location of military facilities. But he declined to elaborate and denied that anti-Americanism had prompted the exchanges, the report said.

The U.S. Army Headquarters in a large compound in the Yongsan District in Seoul commands the 600,000-strong South Korean Army and some 43,000 U.S. troops stationed in South Korea, according to the report.

#### **Southeast Asia & Pacific**

#### **Roundup Views Apparent 'Calm' in Burma** OW1608124788 Beijing XINHUA in English 1227 GMT 16 Aug 88

["Roundup: Burma Seemingly Calm (by Zhang Yunfei)"]—XINHUA headline]

[Text] Rangoon, August 16 (XINHUA)—The Burmese authorities have been taking measures to consolidate the improved situation in the country in the past few days.

In Rangoon, capital of Burma, the situation today is nearly as before with traffic growing and markets reviving. Government functionaries and workers went back to work. Banks and shops were opened.

There were no demonstrations and disturbances in other cities yesterday, it was learned.

Responding to the request of the leading monks committee of the state recently, leading monks and armymen went to some townships, where disturbances occurred recently, in an effort to restore peace, tranquility and order there.



Burma is a country in which 85 percent of the population believe in Buddhism.

The authorities also held some coordination meetings separately with leaders of some religious organizations, such as Islamic, Christian and Hindu ones.

The religious organizations have called on their believers to live and act peacefully within the framework of the laws promulgated by the government.

After U Sein Lwin's resignation as president of the state and chairman of the ruling party on August 12, the situation in Burma has improved to a certain extent.

However, the situation has not yet returned to normal. Observers here held that there are some uneasy developments amidst the recent seeming calm in Burma.

There are more posters in main streets in Rangoon today and yesterday.

The posters request the authorities to release all persons detained during the demonstrations, form a new government, and set up a multi-party system.

The Bar Council, a registered mass organization under the Council of People's Attorneys (an organ of the state power), yesterday submitted its requests to the Council of State.

The requests, signed by 177 lawyers, said that people held peaceful massive demonstrations on August 8 in accordance with laws. After August 9, the security forces opened fire at people including children who continued to demonstrate. The firing violated the Constitution of Burma and the U.N. Declaration of Human Rights, the lawyers said.

The Bar Council put forward seven demands including putting an end to military administration in Rangoon area, releasing all detainees during the past demonstrations and establishing a multi-party system.

The Bar Council also sent the copies of the requests to foreign embassies here and the U.N. Secretary general and others.

The meeting of the Central Committee of the Burma Socialist Programme Party and the emergency session of the People's Congress are to be held on August 19.

According to the regular routine, the two meetings will elect new party leaders and state leaders.

People are following with interest the development of the situation in Burma.

**Sihanouk, Cambodia's Hun Sen To Meet in November**  
*OW1508173288 Beijing XINHUA in English*  
*1412 GMT 15 Aug 88*

[Text] Tokyo, August 15 (XINHUA)—Samdech Norodom Sihanouk will meet Hun Sen, prime minister of the Vietnamese-installed Phnom Penh regime, in Paris on November 5 to discuss ways to seek a political settlement of the Kampuchean issue, KYODO News Service reported today.

Sihanouk agreed on the Paris meeting with Hun Sen in Indonesia late last July when delegates from the four Kampuchean parties met for the first time to discuss the Kampuchean issue together with Vietnam, Laos and member countries of the Association of Southeast Asian Nations. KYODO quoted a spokesman for Sihanouk's Tokyo office as saying.

Sihanouk met Hun Sen outside Paris last December and January.

After the Jakarta informal meeting, Sihanouk toured Beijing, Pyongyang and Bangkok. He left here today for China again after winding up an eight-day visit to Japan, where he met Prime Minister Noboru Takeshita, Foreign Minister Sosuke Uno and other senior government officials.

**Sihanouk Condemns Khmer Rouge**  
*HK1608124488 Hong Kong AFP in English*  
*1234 GMT 16 Aug 88*

[Text] Beijing, Aug 16 (AFP)—Cambodian resistance leader Prince Norodom Sihanouk revealed publicly here Tuesday he will never again support former partner the Khmer Rouge nor allow it to use his prestige for international credibility.

"The Polpotian Khmer Rouge committed worse crimes against the Cambodian people than those committed by Hitler's Nazis against the Jews and other innocent people," the prince said in the message to Son Sann, head of the nationalist faction in the tripartite coalition. Analysts said his remarks were a signal to China that he will not succumb to its pressure to patch up differences with the communist resistance faction.

(The Khmer Rouge announced on its radio station Tuesday that it had drawn up a peace plan guaranteeing it would not return to power alone. Proposals include a four-party, neutral government headed by Prince Sihanouk, a new national army including equal numbers from the current four warring Cambodian factions and the withdrawal of Vietnamese troops from Cambodia, according to the broadcast monitored in Bangkok.)

The prince reaffirmed in his message that he would not go back on his decision, made July 10, to step down as head of the United Nations-recognized tripartite Coalition Government of Democratic Kampuchea (Cambodia), the CGDK.

"The CGDK, as the whole world knows, is above all the Khmer Rouge, he said, adding: "This untenable fiction that is the CGDK, serves only to strengthen the Khmer Rouge regime on the political, diplomatic and military levels."

"By continuing to accord legitimacy and state legality to the Khmer Rouge, which it ill-deserves, all backers of the CGDK and your excellency (Son Sann) are professing a deep and intolerable scorn for the Cambodian people," he said.

The remarks were made the day after Prince Sihanouk's return here from Japan and a few days after China declared that it would continue to arm the Khmer Rouge as long as Vietnamese troops remained in Cambodia, observers said.

Scarcely two weeks before China and the Soviet Union are to start unprecedented talks here on Cambodia, the prince appears bent on showing how far apart he and China have grown on the issue since late July, they said.

(The prince's aides in Paris said Tuesday he planned to visit Malaysia, Singapore, Brunei, the United States and Britain before talks in France November 5 with Phnom Penh Premier Hun Sen.)

**Aquino, Laurel Split in Philippines Reported**  
*HK1508145588 Beijing International Service*  
*in Tagalog 1130 GMT 15 Aug 88*

[Text] President Corazon Aquino of the Philippines said 2 days ago that Vice President Salvador Laurel should not blame her for his leaving her government. In a letter, Laurel asked Mrs Aquino to step down from the presidency and urged that a snap presidential election be held immediately. Laurel also said that the president should take the responsibility for mismanagement of state affairs and the deterioration in peace and order. He also said that he was excluded from decision-making process and announced his intention to break away from the Aquino administration and join the opposition.

Meanwhile, Mrs Aquino said that during her two years in office, Laurel never extended assistance when a crisis broke out.

Laurel and Mrs Aquino have long had differences of opinions. In September last year, Laurel admitted that he had disagreements with the president on some issues and, consequently, resigned as secretary of foreign affairs.

**SRV Charges against Thailand Called Diversion**  
*OW1308203488 Beijing XINHUA in English*  
*1128 GMT 13 Aug 88*

[Text] Hanoi, August 13 (XINHUA)—Vietnam accused once again Thailand of aggravating the already-tense situation on the Thai-Kampuchean border.

A statement released by a spokesman for the Vietnamese Foreign Ministry Friday night said Vietnam "fully supported" the Phnom Penh regime's stance stated in its August 9 statement, which denounced the Thai Armed Forces for their "violation of the national sovereignty and territorial integrity" of Kampuchea.

Since Vietnamese troops invaded Kampuchean in 1979, the situation along the Thai-Kampuchean border has been tense. Some diplomatic observers here maintain that Hanoi and Phnom Penh's accusation against Thailand was aimed at diverting attention from their recent strong military attacks on the Kampuchean resistant forces in the mountainous areas of western Kampuchea.

**Sun Qimeng Departs for New Zealand, Australia**  
*OW1208230788 Beijing XINHUA in English*  
*1137 GMT 12 Aug 88*

[Text] Beijing, August 12 (XINHUA)—A delegation from the Chinese National People's Congress (NPC) led by Sun Qimeng, vice-chairman of its Standing Committee, left here today for a goodwill visit to New Zealand and Australia at the invitation of the two countries' parliaments.

Sun is also expected to attend the inaugural ceremony to mark the going into use of the new mansion of the Australian Parliament.

**Arrives in Wellington**  
*OW1508071188 Beijing XINHUA in English*  
*0557 GMT 15 Aug 88*

[Text] Wellington, August 15 (XINHUA)—A four-member delegation from the National People's Congress (NPC) of China arrived here this afternoon for a six-day visit to New Zealand.

The delegation is led by Sun Qimeng, vice-chairman of the Standing Committee of the NPC and chairman of the China Democratic National Construction Association.

The delegation will meet acting Prime Minister Geoffrey Palmer, Minister of State and leader of the House Jonathan Hunt, Minister of Foreign Affairs Russell Marshall and Kerry Burke, speaker of the New Zealand Parliament.

The Chinese delegation will also visit Dunedin and Christchurch on the south island of New Zealand.

### Near East & South Asia

**Deputy Minister Qi Huaiyuan Arrives in Tehran**  
*OW1608021088 Beijing XINHUA in English*  
0140 GMT 16 Aug 88

[Text] Tehran, August 15 (XINHUA)—Chinese Deputy Foreign Minister Qi Huaiyuan arrived here tonight for talks with Iranian officials on promoting bilateral relations and other issues of mutual concern.

During a brief meeting with his Iranian counterpart Javad Mansuri at the airport, Qi said China is very happy about Iran's acceptance of the UN Resolution 598 and consent to the declaration by UN Secretary General Perez de Cuellar on August 8.

The UN chief declared at the UN Headquarters in New York that a cease-fire between Iran and Iraq will go into effect on August 20 which will be followed by direct talks between the two neighboring countries.

In response, Mansuri said that Iran attaches importance to its relations with China. There is no difficulty in expanding bilateral relations, he added.

Qi, heading a six-member delegation, is scheduled to stay here for three days.

**Envoy Meets PLO's Yasir 'Arafat in Libya**  
*OW1608025988 Beijing XINHUA in English*  
0018 GMT 16 Aug 88

[Text] Tripoli, August 15 (XINHUA)—Yasir 'Arafat, chairman of the Palestine Liberation Organization (PLO), met with Chinese Ambassador to Libya Yang Hushan here today and briefed him on the latest development in the Israel-occupied Palestinian land. 'Arafat told the Chinese ambassador about the new situation following Jordan's decision to sever legal and administrative ties with the Israel-occupied West Bank and PLO's attitude towards this decision.

'Arafat also extended his gratitude to the Chinese Government and people for their consistent support for the Palestinian people's just cause.

'Arafat arrived here last night on his second visit to Libya within a week.

**'Roundup' on Crisis in Pakistan's Muslim League**  
*OW1408193788 Beijing XINHUA in English*  
1731 GMT 14 Aug 88

[“Roundup: Pakistan Muslim League Faces Crisis of Split (by Zhao Jinchuan)”—XINHUA headline]

[Text] Islamabad, August 14 (XINHUA)—With the deadlock of a scheduled meeting of the Central Council of the Pakistan Muslim League (PML), the former ruling party, at a local hotel here yesterday, due to differences

in principle among participants over the party leadership, the league is facing a crisis of split which will exert a great influence on the political situation in the country.

The PML meeting was held at a sensitive time after league President Mohammad Khan Junejo was removed from premiership by President Mohammad Ziaul Haq two months ago. Since then the league has split into two main factions, one is headed by Junejo and the other by the president-backed Nawaz Sharif, chief minister and PML president of Punjab Province.

Mohammad Khan Junejo was warmly welcomed early yesterday morning by some league workers and supporters at the gate of the Islamabad Hotel where the meeting was scheduled to be held.

Later, Chief Minister and President of PML in Punjab Nawaz Sharif, and chief ministers and presidents of Northwest Frontier Province and Baluchistan Province as well as a senior minister of Sind Province entered the meeting hall with many people who reportedly had nothing to do with the Muslim League.

Disorder began immediately as members of the League gathered at the hall to start the meeting. There were scuffles and heated exchanges of hot words between slogan shouting rival groups. All attempts to start the meeting were finally abandoned. The meeting broke up in disorder without formally starting and conducting any business.

Newsmen who were present and witnessed the pandemonium were told by PML President Junejo and secretary general Iqbal Ahmed Khan that the meeting had been postponed indefinitely.

Addressing some councillors in the same hall, Junejo changed to say that the meeting was disrupted by “king's men” under a planned conspiracy which, he added, would be foiled and the Muslim League would emerge as a strong political force to serve the people. He said he would soon announce a new date for holding the central council meeting.

Later on, the provincial chief ministers addressed a press conference separately and blamed certain people for sabotaging the election of a new league president and central office-bearers. Nawaz Sharif said that status of PML president Junejo was now disputed and his faction would soon elect its own president.

A senior official who attended yesterday's meeting told newsmen last night that fiasco created at the meeting was the outcome of the employment of un-democratic and non-political means to solve the political issues. He expressed disappointment at the behavior shown at the meeting.



In view of the above-mentioned facts, the meeting chaired by Junejo yesterday intended to discuss some organizational matters besides electing the main office-bearers for the unity of the league has failed.

On August 12, a pre-session meeting of PML councillors and members was convened hastily by provincial chief ministers in Lahore, capital of Punjab Province, in order to confront the Islamabad meeting.

Junejo said on arrival here on August 11 that the Lahore meeting was a "pressure tactic" employed to weaken the PML. The former prime minister pointed out that whenever he went during the past six weeks, the league workers demanded that efforts to "hijack" the League should be foiled and the league kept united.

Observers here hold that the struggle between the two factions in the PML for the leadership is related to the country's general election on November 16. President Ziaul Haq who dissolved the National Assembly and the Junejo cabinet on May 29 still places hopes on the PML to win the general election and form a civilian government which is loyal to him. And yet, the obstacle is that the former prime minister is holding the presidency of PML.

PML president Junejo who regards President Ziaul Haq's May 29 action as "arbitrary" and "undemocratic" has consulted his league members and former ministers as well as major opposition parties on the political situation in the country and asked for a fair, free and impartial election on party-basis. He said the PML would emerge as a strong party and win the forthcoming election.

Meanwhile, Nawaz Sharif said, "We will make best efforts, conforming to the democratic norms and the spirit of PML, to elect the central office-bearers as early as possible."

According to reliable sources, Fida Mohammad Khan, former governor of Northwest Frontier Province, is likely to be elected unopposed central PML president by the Nawaz Sharif faction. But it is difficult to be accepted by the Junejo faction.

Diplomats here are of the opinion that former Prime Minister Junejo is facing a hard test and the PML might further split in the near future.

**Roundup on Afghan Situation, Soviet Withdrawal**  
*OW1508194888 Beijing XINHUA in English*  
1410 GMT 15 Aug 88

[*"Roundup: Soviet Withdrawal and Afghan Situation (by Ma Guang, Ge Xiangwen)"—XINHUA headline*]

[Text] Beijing, August 15 (XINHUA)—The Soviet official news agency TASS announced Sunday that half of the Soviet troops in Afghanistan have left for home as of August 14 to meet the first deadline set by the Geneva accords, an important step toward a political solution to the Afghan issue.

The situation in Afghanistan however remains tense as conflicting parties to the Afghan issue continue exchanges of accusations and fierce fightings are going on in that country.

The Soviet Union officially announced that 57,000 soldiers have left nine Afghan provinces bordering Pakistan and Iran. It has also removed some 1,000 of the 22,000 soldiers stationed in Kabul, signaling the beginning of a withdrawal from the Afghan capital.

Moscow has announced that it will have withdrawn all its forces from Afghanistan by February 15 next year in accordance with the Geneva accords, which set August 15 as the first pullout deadline for half of the Soviet troops.

The Soviet troops in Afghanistan totalled 100,300 by official account when the Geneva accords were signed on April 14.

The withdrawal, though partial so far, has benefited the Soviet Union. It has not only helped Moscow rid itself of isolation and condemnation following its invasion in December 1979, but also calmed grievances at home about the losses the country has suffered since its invasion. It is hoped that the Soviet withdrawal can produce a positive effect for resolving other regional conflicts in the world.

In the course of the withdrawal, however, the Soviet Union and the Kabul regime made repeated accusations that Pakistan violated the Geneva accords by providing arms and bases for the Afghan resistance guerrillas. The Soviets themselves however provided the Kabul regime with military aid worth several hundred million dollars, according to Western news agency reports.

When the Geneva accords were discussed for signing, the United States proposed to the Soviet Union a "symmetric halt" to military aid to parties they each support. But due to the Soviet persistence, both sides reached an understanding that they may continue aid to the parties they each support on the basis of reciprocity, which is likely to cause troubles in the future settlement of the Afghan issue.

Facing the accusations of the Soviet Union, the Pakistan Government repeated that Pakistan has strictly abided by the terms of the Geneva accords. Pakistan Foreign Minister Sahabzada Yaqub Khan made a speech on August 6 in Islamabad after his visit to Moscow, saying that Pakistan, in accordance with the Geneva accords, has no commitments to halt its sympathy with Afghan guerrillas.

He said Pakistan could not take the responsibility for the continued military operations of the Afghan resistance forces inside their country and could not ban the three

million Afghan refugees' legal actions in Pakistan. He also denounced the Kabul regime for violating Pakistan's territorial waters and air space and subversive activities.

Some factions of the resistance forces have refused to attack withdrawing Soviet troops, while others have taken advantage of the Soviet withdrawal to strengthen their military operations in the battlefields.

According to statistics issued officially by the Kabul regime, an average of 50 people have died in the Afghan battlefield each day since the signing of the Geneva accords. Kabul has become the major target of attack by the guerrillas. Over the past three months, 154 people died and 205 were injured in rocket attacks on the capital.

According to resistance sources, in the past three months the guerrillas recaptured more than 100 military strongholds and 25 cities, and for a time also took Maidan, the provincial capital of Vardak, and Kalat, the provincial capital of Zabol.

On August 10, when the Soviet troops were withdrawing from Kunduz, the provincial capital of northern Kunduz, the guerrillas broke promptly through the defence line of the Kabul government troops and occupied the important strategic place apart from an airport in the outskirts of the city, only 60 kilometers from the Soviet-Afghan border. Meanwhile, nearly 6,000 guerrillas surrounded Kandahar, a big southern Afghan city, where a heavy fighting followed.

In the light of the understanding reached by parties concerned at the Geneva conference on the Afghan problem in mid-April, U.N. envoy Diego Cordovez made a two-week shuttle mission from June 28 to July 10 to Pakistan, Iran and Afghanistan in a bid to promote reconciliation among the political forces in Afghanistan and set up a broad-based coalition government there.

At a news conference at the end of his visit, Cordovez called for a ceasefire and the formation of a neutral caretaker administration on September 1 to replace the Kabul regime.

He also called for the holding of a grand tribal assembly prior to March 15 next year to decide on a new government in Afghanistan.

His proposal has won support by most of the Afghan people he met. But the more powerful fundamentalist leaders in the seven-party alliance rejected the peace proposal which they said could not ensure peace and tranquillity in the country.

The hardline guerrilla leaders do not want the ruling People's Democratic Party of Afghanistan to join in the coalition government but vow to continue fighting until an Islamic fundamentalist government is set up in the country.

Observers hold that under the present circumstances there is little chance of achieving peace in the country this fall. A tense situation involving more fightings may appear there.

#### **Najibullah Speaks on National Reconciliation**

OW1508225188 Beijing XINHUA in English  
1833 GMT 15 Aug 88

[Text] Moscow, August 15 (XINHUA)—Najibullah, head of the Kabul regime, said today "National reconciliation would be impossible without the participation of all warring factions" in Afghanistan.

In an interview with Soviet television, Najibullah said that national peace and stability in Afghanistan are also impossible without the participation of those political forces and strata that have emerged in the country in recent years.

He said his regime "keeps the doors open for talks" with opposition forces. "We have no pre-conditions but one—cease-fire and truce," he claimed.

He repeated that his regime's Armed Forces were "able to uphold government and the policy of national reconciliation" after the Soviet troop withdrawal.

He warned that his regime and the Soviet Union would define "necessary actions" if Pakistan continues supporting Afghan opposition forces. But he did not say what actions they would be.

Najibullah made the interview in connection with the completion of the first stage of the Soviet troop withdrawal from Afghanistan.

#### **Soviets Condemn Pakistan**

OW1608031588 Beijing XINHUA in English  
2346 GMT 15 Aug 88

[Text] Moscow, August 15 (XINHUA)—The Soviet Union reserves "for itself the right to take necessary measures if Pakistan continues its "obstructionist policy" vis-a-vis the Geneva accords on the political settlement of the Afghan problem, a Soviet Government statement said tonight.

The statement said the Soviet Union is exerting every effort to meet its commitments under the Geneva accords and a half of the Soviet troops has been returned home from Afghanistan by August 15.



The statement, published by the official Soviet news agency TASS, accused Pakistan of "violating" the Geneva accords by supporting the "Alliance of Seven" and the "Transitional Government of Afghanistan" set up by Afghan opposition forces.

The Soviet Union reserves for itself the right to take such measures that are necessitated by the situation, the statement said.

The Soviet Government also hopes that the United States, as one of the guarantors of the Geneva accords, "will not remain impartial to the violation of the Geneva accords by Pakistan," the statement added.

#### **Afghan General Interviewed**

OW1408202088 Beijing XINHUA in English  
1330 GMT 14 Aug 88

[Text] Moscow, August 14 (XINHUA)—The Soviet Union will have pulled out half of its troops from Afghanistan by August 15, and clashes between Afghan Government troops and resistance forces are intensifying in areas evacuated by Soviet troops, a top Afghan Army officer was quoted as saying.

In an interview today with the Soviet Army newspaper "KRASNAYA ZVEZDA" (RED STAR), General Shah Nawaz Tanai, head of the Afghan General Staff, said that Soviet troops have withdrawn from 25 of the country's 31 provinces.

He admitted that in the areas evacuated by Soviet troops, particularly in the Provinces of Badakhshan, Kunar, Nangarhar, Paktia, Paktika, Kandahar and Hilmand, tension is mounting as a result of a sharpening political and military struggle between government troops and resistance forces. "At a turning point for the country's fate, the Armed Forces will staunchly defend the republic and will strengthen their vigilance and preparedness," he said.

He believed that the government troops could defend the country when the Soviet Union completes its troop withdrawal on February 15, 1989 under the Geneva agreements on Afghanistan signed in last April.

#### **Najibullah's Brother Condemns Kabul Regime**

OW1508210988 Beijing XINHUA in English  
1540 GMT 15 Aug 88

[Text] Islamabad, August 15 (XINHUA)—The younger brother of Najibullah, head of the Kabul regime in Afghanistan, reportedly said today that the Kabul regime is bound to fall soon with the united struggle of the resistance forces in that country.

Najibullah's brother Sidiqullah Rahi made the remark at a news conference at the headquarters of the Islamic Unity of Afghan Mujahidin (Muslim guerrillas) this morning in Pakistan's border town of Peshawar adjacent to Afghanistan.

This is the first time that Sidiqullah appeared in public since he defected to the Afghan resistance forces some eleven months ago.

Sidiqullah escaped to the Panjshir Valley from Kabul along with his wife and children and sought protection from the resistance forces. He claimed that he was opposed to his brother's policies and sympathized with the resistance cause.

He hoped that an Islamic government would be established in Kabul.

#### **Afghan Rebel Leader on Soviet Withdrawal**

OW1508230088 Beijing XINHUA in English  
1803 GMT 15 Aug 88

[Text] Islamabad, August 15 (XINHUA)—A senior Afghan resistance leader said here today that the decade-long war in Afghanistan proved to the Soviets that none can occupy indefinitely the land of Afghanistan, they are forced to leave the country.

Engineer Hikmatyar Gulbuddin, one of the leaders of the seven-party resistance alliance of Afghanistan, at a press conference here this afternoon, said that the Soviet troop withdrawal from Afghanistan continues and the situation in Afghanistan indicates that the Soviets may prepare to withdraw their troops from Afghanistan ahead of the agreed timetable.

The Soviets have changed their original pullout plan to withdraw a portion of troops from each unit, for that would have caused a greater number of casualties. They took their units out of some provinces altogether rather than a partial withdrawal, he said.

Under the Geneva accord signed on April 14 this year, the Soviet Union began withdrawing their estimated 115,000 troops from Afghanistan on May 15 and half of their troops will go home by today.

Gulbuddin said, "The Soviets are leaving Afghanistan not because of the Geneva accord but because they see no gain in staying longer in Afghanistan."

"Our information and understanding are that the Soviets want to replace Najibullah with a new face" and the Soviet foreign minister's recent trip to Kabul was for this purpose.

"In fact all these Soviet efforts are a repetition of their unsuccessful attempts. From now on none from outside can impose a regime of their own choice by their military might or conspiracies on the Afghan people," Gulbuddin

said, adding, "It appears that the Soviets have not yet learned their lesson well enough from the 10 years of events in order to correct their wrong analysis and bring a total change in their decision."

He said that the solution for the Afghan crisis is that "the Soviets should promptly and unconditionally leave our country and let the Afghan people in light of their faith determine their destiny and outside forces should abstain from any interference in the internal affairs of Afghanistan."

#### **Gandhi Delivers Independence Day Address**

OW1508135188 Beijing XINHUA in English  
0930 GMT 15 Aug 88

[Text] New Delhi, August 15 (XINHUA)—Indian Prime Minister Rajiv Gandhi today pledged "to make all sacrifices to make India strong."

Delivering the Independence Day address from the ramparts of the historic Red Fort in Delhi, Gandhi said the government is committed to crush the divisive forces and reiterated that religion will not be allowed to be mixed with politics.

The prime minister made the speech without the protection of a bullet-proof glass shield which was removed from the platform by security men a few minutes before Gandhi arrived at the ramparts.

However, security was obviously tightened around the Red Fort with armed guards perched on every vantage point and roof top. Invitees were checked by metal detectors before being allowed to enter the venue of the meeting.

Gandhi claimed that India's Defense Forces are very strong. The research and development facilities have been augmented.

Gandhi said though the drought has slowed down the country's economic development, it, however, did not hamper the country from marching forward.

It was noteworthy that for the first time "we did not have to go with a begging bowl" for outside help to tackle it, he added.

The prime minister said the country is now facing a number of challenges, pointing out that poverty and unemployment are in the forefront. "These have to be tackled first," he said.

Referring to the Punjab problem, Gandhi said a lot of improvement has been brought about but it is not to the extent "we expected."

He said the administration of Punjab is now making all out efforts to stamp out terrorism.

### **Sub-Saharan Africa**

#### **Wang Zhen Meets Mozambican Defense Minister**

OW1308141988 Beijing XINHUA in English  
0941 GMT 13 Aug 88

[Text] Beijing, August 13 (XINHUA)—Chinese Vice-President Wang Zhen today praised Mozambique for its efforts to relax tensions in southern Africa and seek a peaceful solution of problems in the region.

Wang made the comment at a meeting with a visiting Mozambican military delegation led by Defense Minister Major General Alberto Joaquim Chipande here this afternoon.

Wang expressed the belief that the visit would contribute to the deepening of mutual understanding and friendship between the two peoples and armed forces of China and Mozambique.

Chipande said that the visit of his delegation was aimed at consolidating the time-honored friendly ties between the two sides which are based on mutually beneficial cooperation.

He and Chinese military leaders have held "frank and useful" discussions on bilateral relations as well as on the situation in Mozambique and southern Africa, Chipande added.

### **West Europe**

#### **Kang Keqing Meets West German Guests**

OW1408082088 Beijing XINHUA in English  
0706 GMT 14 Aug 88

[Text] Beijing, August 14 (XINHUA)—Kang Keqing, widow of the late Chinese leader Marshal Zhu De, here today met with Dr. Helga-Maria Kuhn, responsible officer of the Gottingen City Archives, Federal Germany, and her husband.

Gottingen City is the place where Marshal Zhu De once lived and studied. On the occasion of the centenary of his birth last year, the City Council established a commemorative signboard at the Gottingen City University where Marshal Zhu De once studied in accordance with Dr. Kuhn's proposal.

During the meeting, Madame Kang, who is vice-chairwoman of the National Committee of the Chinese People's Political Consultative Committee and president of the All-China Women's Federation, thanked Dr. Kuhn for her useful work in promoting the mutual understanding and friendship between the German and Chinese peoples.

## East Europe

**CPC Workers' Delegation Departs for GDR**  
*OW1508064888 Beijing XINHUA in English*  
0603 GMT 15 Aug 88

[Text] Beijing, August 15 (XINHUA)—A Chinese Communist Party workers' delegation left here this morning for a visit to the German Democratic Republic.

The delegation is led by Jiang Guanghua, deputy head of the International Liaison Department of the CPC Central Committee.

**Article on Poland's Economic Reform Program**  
*HK1508115688 Shanghai SHIJIE JINGJI*  
*DAOBAO in Chinese 8 Aug 88 p 5*

[Article by Ju Canzi (1446 3503 2737): "Poland's Fourth Economic Reform"]

[Text] Since the end of World War II, Poland has carried out four rounds of economic reforms. The first (1957-1959), second (1966-1970), and third (1972-1980) rounds were just partial reforms without touching the centralized economic pattern and were not thorough reforms. They all ended in failure. At present, Poland is carrying out its fourth round of economic reforms, which are comprehensive and thoroughgoing reforms that will free Poland's economy from the centralized pattern.

In July 1981, the reforms began on state farms and in some small production departments. State assignments of economic norms to these units were stopped; greater management powers were given to them; and they began to bear sole responsibility for their own profits and losses. The state farms quickly changed the longstanding condition of incurring losses, and the reforms achieved initial results. In February 1982, all-around economic reforms were also carried out in industrial enterprises to implement the three principles of enterprises determining their own business, workers exercising self-management, and enterprises bearing sole responsibility for their profits and losses. In 1987, Poland's reform entered the second stage.

Through the 6 years of reform, the mandatory planning was changed greatly, and the enterprises expanded their decision-making powers in management. This raised their production initiative and productivity. In 1983, the national income began to go up again. The rate of rise in retail prices and service charges began to diminish. The violent inflation tendency in the early 1980's was brought under control to a certain degree. In the field of foreign trade, a surplus was maintained from 1982 through 1987, and this formed a sharp contrast against the constant trade deficit in the 10 years before the reform. The general economic situation was improved and the critical situation in the early 1980's was basically changed.

However, the general condition of the national economy still did not return to the precrisis level in 1978. Poland's economy was still facing mountains of difficulties. The national income in 1986 was still 5 percent lower than that in 1978, and the per capita national income was 10 percent lower. Foreign debts continued to increase. Prices continued to rise. Inflation was still in a serious condition. The people's real income was declining. Although the economic reforms made certain progress, there were still many obstacles and difficulties. Social unrest reappeared in February this year and upset the general public. The longest labor unrest on the largest scale in the past 6 years occurred. Poland's economic reforms thus entered its most difficult and critical stage.

Poland has carried out many rounds of reforms in the past 30 years or more, and has accumulated rich positive and negative experience, especially in the fourth round of comprehensive reforms, that we should attach importance to. This can be summarized into the following points:

First, handle correctly the relationship between reform and maintaining the balance in various aspects.

Second, handle correctly the relationship between economic growth, wage increases, and price adjustments.

Third, handle correctly the relationship between reform of the contracting of foreign debts.

Fourth, economic reforms, especially the price and wage reforms concerning the people's personal and immediate interests, must follow a mass line and win the understanding and support of the masses.

Fifth, economic reforms must be carried out with the synchronous development of the political structural reform. Poland's experience in its reforms over the past 30 years and more shows that the political structural reform and the economic structural reform are interdependent and they condition each other. In economic reforms, there will be no political and social stability; at the same time, if political reforms do not correspond with the economic reforms, the economic reforms can hardly be successful. The ruling party in Poland drew a lesson from the failure of the economic reforms in the 1970's which did not touch the superstructure, and in 1982, it also carried out corresponding political structural reforms when the fourth round of economic reform began. In the later years, Poland adopted a series of major measures to reform its political structure, which played a guaranteeing and promoting role in developing socialist democracy, expanding the working people's participation in state management, breaking the shackles of various old systems, and advancing the economic reforms.



### Latin America & Caribbean

#### **Ecuador's President Meets Zhu Qizhen, Delegation**

OW1308050888 Beijing XINHUA in English  
0141 GMT 13 Aug 88

[Text] Quito, August 12 (XINHUA)—Ecuadoran President Rodrigo Borja met with a delegation from the People's Republic of China Thursday.

The delegation, headed by Chinese Vice Foreign Minister Zhu Qizhen, travelled to Ecuador to attend Borja's inauguration, and the Chinese vice foreign minister conveyed to the new president congratulations from Chinese President Yang Shangkun. He also extended President Yang's invitation to pay a second visit to China with his wife.

Borja had made a trip to China in July 1987 as a party leader. He told Zhu that he had enjoyed that visit, and he gratefully accepted the new invitation.

He also asked the Chinese vice foreign minister to convey his regards to the leaders of the People's Republic of China.

#### **Technical Aid Announced**

OW1308122888 Beijing XINHUA in English  
0609 GMT 13 Aug 88

[Text] Quito, August 12 (XINHUA)—China will donate 25 tractors to the Ecuadoran government.

At a ceremony held this morning in the Ecuadoran Foreign Ministry, it was announced that along with the 25 tractors, spare parts and Chinese technical experts would be sent to Ecuador to help assemble and test the tractors.

Ecuadoran Foreign Minister Diego Cordovez and Chinese Vice-Foreign Minister Zhu Qizhen attended the ceremony.

Zhu noted that since 1980, when diplomatic relations were established between China and Ecuador, friendly cooperation has increased through the common efforts of both nations.

The Ecuadoran foreign minister said that increasingly vigorous, useful, practical and productive relations have developed between the two countries in a very short time, and he promised that the new Ecuadoran Government will work to develop them further.

The Chinese vice-foreign minister, who led a delegation to the inauguration of Ecuadoran President Rodrigo Borja, is scheduled to leave Quito today to pay official visits to Uruguay and Chile.

### **Oceanographic Station in Spratlys Inaugurated**

HK1608084288 Beijing RENMIN RIBAO

OVERSEAS EDITION in Chinese 16 Aug 88 p 2

["Feature" by Guo Xiangxing (6753 0686 2502): "The Sea Flows Horizontally; Only Thus Will It Demonstrate the Valor of Heroes—Notes on a Visit to the Construction Site of the Oceanographic Survey Station on the Yongshu Reef in the Nanshas"—first paragraph is RENMIN RIBAO introduction]

[Text] On 3 August, the second day of the inauguration of the oceanographic survey station on the Yongshu reef in the Nanshas [Spratlys], the State Council and the Central Military Commission issued a circular commending all the comrades who took part in the construction of the survey station that they "have made contributions to the country by starting their career in the Nanshas."

#### **I.**

A team of construction ships arrived in the far-off Nansha sea zone of China in the spring of the Year of the Dragon, while the great land of China was celebrating the Spring Festival amid the sound of firecrackers.

I stepped onto a man-made land on the Yongshu reef in May in pursuit of the heroic melody composed by the pioneers in the Nanshas. Looking around, I saw ships shuttling here and there, bulldozers roaring, and builders streaming with sweat... Far beyond, naval vessels were patrolling on sea. What a busy and magnificent scene!

Xu Zhenzhong, chief commander on the construction site and deputy commander of a naval unit, told me: "Building an oceanographic survey station on the Yongshu reef is a task entrusted to the Navy by the Chinese Government and is also a cause built for the happiness of mankind and its descendants. We feel glorious and take pride in starting our career in the Nanshas under the present circumstances."

Building an oceanographic survey station in the Nansha sea zone is very difficult, because the weather conditions here are complicated, the geological structure is solid, machines frequently fail to operate, and projects have to be carried out underwater... The difficulties are too numerous to count.

Wang Jianhui, 23-year-old deputy leader of the survey team of a naval unit, was held in esteem by the Nansha people as "leader of the dare-to-die team." He related to me the difficulties in the survey work: "To conduct a survey, we have to in wade the water and walk on the reef. The reef is full of corals, and these corals are like thorns underwater. Your legs will be full of wounds after just wading once." He showed me his legs while talking. I counted the scars on his right leg. There were 28 in all, and 5 were still festering. "There are steep precipices down the reef. With slight carelessness, you could be

swept away by the waves. Sometimes there are sharks. Once I was wading, I suddenly felt something biting the back part of my trousers. I was sure it was a shark, and started beating it with a steel gage I was carrying. When I turned back to have a look, that thing ran away. But my trousers were torn." Wang Jianhui had been to sea on 70 occasions or so, each time lasting for 3 to 5 hours. On four occasions he went to sea at the risk of his life.

There were many such examples in the Nanshas. Zhang Yazhi, a mechanic, every morning led four bulldozer drivers and two operators of generating machines to their work site, where they worked for 15 to 16 hours a day. The surface temperature of the bulldozers under the scorching sun in the Nanshas generally reached 50 degrees Celsius. So when a driver went out of his cabin, we usually found him streaming with sweat. Overcome by fatigue, they sometimes slept on the beach after work. Once a bulldozer driver worked late into the night. Due to overfatigue, he drove the bulldozer into the sea while going in reverse. They organized a team to rescue the bulldozer. It was retrieved but was inoperable. Zhang Yazhen spent two days and nights repairing the bulldozer, and finally it was fixed and put in use again.

The arduous environment and difficult life helped purify the builders' souls. Many builders were using their deeds to build the image of pioneers. Zhang Guochen, 22, was in charge of transporting sand and stones by means of a boat. Although he was an individual trader, he behaved like an soldier, and worked at least 10 hours a day. Every time a storm came, he was the only one who carried out transportation work, because others did not dare to go out to sea. On several occasions he risked his life to complete his job. Once he was sent to pick up a leader. A storm came, and his boat was rocking violently amid the waves. The leader got seasick and vomited, saying: "I have never gotten seasick before, this time you made me vomit. I admire you!" When I asked him why he worked so hard, he only said: "Everyone else will do the same in this place."

His words inspired me. If the Yongshu reef were a balance, every builder on it would be willing to use his heart as a weight for the sake of the country.

#### **II.**

The question of party spirit is a hot topic for discussion on the mainland. However, at the construction site on Yongshu Jiao, I often heard other kinds of comments. The masses often praised the leading cadres there, saying that they were always charging at the head of their men.

Zhang Siyou was an instructor of the diving team. It was the hardest job on the construction site to lead nine frogmen to complete the undersea projects there. It was terribly hot in the Nansha Islands. However, in underwater operations, it was necessary to wear a diving suit as heavy as 170-180 jin and work continuously for 5 to 8 hours undersea without eating or drinking. The divers

usually had to carry 100-200 jin of heavy equipment. Every step was a great effort. Sometimes when they finished their work, they were hardly able to climb up the stairs. Zhang Weimin, one of the divers, said: "Once I weighed my jacket before working underwater. It was 8 liang. After I got out from the sea, it became 1.8 jin. There was 1 jin of sweat." Head of the diving group Zhao Jianguo said: "I have worked underwater 12 times over the past few months and stayed underwater for a total of more than 60 hours, exceeding the common practice stipulated by state regulations, which was only 33 hours a year." Li Jiangmin, one of the divers, said: "Compared with our instructor, what we have done is not hard at all. He has worked underwater more times than we have and has stayed there longer. Moreover, as he is in command of the group, he has to perform the duties of a commander. Due to the restrictions of local conditions, we do not have sufficient nutritional food to eat in order to keep ourselves strong and healthy. Thus, he often goes fishing for several hours to get fish for us. He is indeed a very good leader."

The exemplary role of the leading cadres is just like a flying flag in the battlefield heavy with the smoke of gunpowder. Xu Zhenzhong, deputy commander of a base, is the commander in chief, or the highest "officer," on the construction site. You can see how he acts as an "officer" only when he is giving a command or is directing the work with perfect ease. He often appears as a common "soldier." On the deck, that is burning hot, he often works with the sailors to hoist up cement plates; on the construction site that is seething with excitement, he often works beside the workers to unload crushed stone. Once, when blasting was going on at the bottom of a reef, he put on a life jacket and jumped into the sea to give on the spot directions. Several times he was pushed deep into the water by huge waves and almost drowned but was saved by the others... The blazing sun over the Nansha Islands has brought up many "Africans." Shen Shicong, deputy director of a construction section, was nicknamed "the first black of Nansha." The people of Nansha take pride in being black. The "first black" is actually a vivid expression of the good example of the leading cadres there!

On Nansha Islands, we can feel a kind of cohesive force everywhere.

—Coming from various parts of the country, the builders on the Nansha Islands are composing a song of selfless devotion. Some of them have left their new wives or lovely children, some have bid farewell to their parents who are lying in sickbeds, and some have come to the islands without letting their dear ones know the truth...

—The people of Nansha are composing a song of heroic fighting. Zhang Hongtao, a deputy captain of the Navy who had just been informed of his transfer to civilian work, shouted loudly while carrying a sack of stones in

the rain: "I am leaving soon. All of you should work even harder!" Then the young people who were full of energy followed him at once to work with all their might.

—When the man-made land on Yongshu Jiao was lashed by huge waves caused by a violent storm, everyone there, both officers and men and both the civilian workers and the reporters who were gathering news on the spot, rushed to the front to fight against the storm and protect the land. More than 10 seamen jumped into the sea and built up a dam with their bodies to resist the attack of the violent storm and huge waves. The people of Nansha are composing a song of hard struggle.

From the Nansha spirit we see the light of the lofty spirit of our Army and country and the spirit of the Chinese nation. We feel the enormous strength of the great ship of our motherland which is braving the wind and the waves and advancing victoriously.

**State Council on Cash Management Regulations**  
*OW1608135888 Beijing XINHUA Domestic Service*  
*in Chinese 1309 GMT 16 Aug 88*

[Text] Beijing, 16 Aug (XINHUA)—Li Peng, premier of the State Council, today presided over the State Council's 18th Executive Meeting. The meeting discussed and approved in principle the "(Draft) Provisional Regulations Governing the Management of Cash."

The purpose of the draft regulations is to strengthen and improve the management of cash, promote commodity production and circulation, strengthen supervision over social economic activities, and gradually establish a new order for socialist commodity economy.

The draft regulations are divided into four chapters with a total of 24 articles. The draft regulations include clear stipulations on the management and scope of cash revenue and expenditure and related legal responsibility. After revision, the draft regulations will be promulgated by the State Council in the near future for implementation, and the "Decision on Implementing the Management of Cash" promulgated by the State Council on 28 January 1977 will be rescinded at the same time.

**Central Bank To Raise Interest Rates**  
*OW1608123888 Beijing Television Service*  
*in Mandarin 1000 GMT 16 Aug 88*

[Text] Beginning on 1 September, the People's Bank of China will raise interest rates for savings accounts and loans. A reporter of this station interviewed a spokesman [identified as Hong Yuncheng in the television subtitle] of the People's Bank of China on this matter today.

[Hong Yuncheng]: With the approval of the State Council, the People's Bank of China will, beginning on 1 September, raise interest rates on all savings accounts and loans. The annual interest rates on 1-year, 3-year, 5-year and 8-year time deposits will be raised to 8.64



The past 12 months has been a period in the past decade when reforms went on smoothly, and reached a more mature stage. Chinese leaders Deng Xiaoping, Zhao Ziyang, and Li Peng have recently once again declared their dogged determination to forge ahead. In this period, China began to introduce the first laws and regulations as well as measures for building a new order of socialist commodity economy. Scenes of vigorous economic growth are seen from north to south covering provinces and municipalities in the coastal regions including Liaoning, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian, and Guangdong.

A source is quoted as saying that from early August the CPC Central Committee Political Bureau and the State Council will hold a series of meetings and the main topic for discussion will be an overall program for price and wage system reforms.

Observers here believe that the summit meetings will no longer consider whether they will make a big stride forward on the road of reform; rather, they will discuss how to carry on the reform. To put it more vividly: When the orientation is set and the plan is ready, what needs to be considered is to go on faster or slower, and how to go on more vigorously and more steadily.

You have to pay a price or cost for reform. The "interest" accrued from 10-year operation and that from 2 to 3 years of operation is quite different. Therefore curing a disease in a short time in greater pain is better than suffering from it for a long time. Contradictions, imbalances, injustices, and corruption are to be resolved in the course of deepening reforms and not in the course of stagnation and retreat.

China's economic reform consists of integration of public ownership with market. It is reported that the forthcoming program will come out in support of the guiding and backbone roles of the major state-owned enterprises, associations of enterprises, and several major key cities. The situation in which enterprises are attached to government bodies must be changed. Of relations among people, finance, and materials, relations between the latter two can be changed first. The state's macro control over markets will be standardized and greater attention will be paid to the building of legal system.

**Prominent Playwright Criticizes CPC**  
*HK1608085588 Hong Kong SOUTH CHINA MORNING POST in English 16 Aug 88 p 8*

[By Carol Lai]

[Text] A prominent Chinese playwright yesterday criticised the Communist Party leadership for being too timid and conservative to admit differences during the recent Beidaihe discussions on price reforms.

"It is only natural for a society to hold different views. What's the point of ignoring it and pretending to be in consensus?" said Wu Zuguang, who stopped over in Hong Kong on his return from a trip to Australia.

He said that "the Communist Party should have the courage to acknowledge and consider opposing opinions, otherwise the chance of rapid improvement is slim".

Wu, 71, who was stripped of his party membership during the campaign against bourgeois liberalisation early last year, said ideological campaigns had undermined the reputation of the Chinese leaders.

He said he was disappointed with the Communist Party. "It is disheartening to witness the rapid deterioration of the party. On the other hand, we see quick development of Taiwan's economy", he remarked.

Nevertheless, Wu said, the situation in the mainland had been improved in recent years. "Now those who were expelled from the party, like me, can have a chance to go abroad. This was unimaginable in the past", he said.

He said the Government should also give more freedom to ordinary people, for instance, by allowing them to get to know foreigners.

**Late Chinese Literary Critic Reevaluated**  
*OW1308194088 Beijing XINHUA in English 1412 GMT 13 Aug 88*

[Text] Beijing, August 13 (XINHUA)—The writings of Hu Feng who was sharply criticised 33 years ago and then jailed for 25 years have been reevaluated.

Some participants at recent forums held in Beijing deemed that the discussions and reevaluation of Hu's literary thought is aimed to use reasonable cultural means to solve problems in the field of culture and this will help establish a good style of study.

A literary critic, poet and translator, Hu Feng (1902—1985) was an early follower of the great modern Chinese writer Lu Xun, and led the left-wing literary movement of the 1930's.

In 1954, he wrote a 300,000-word report to the central authorities on his views of literary practice in New China.

Hu stressed man's subject consciousness, the power of moral quality, and advocated writers should "create an artistic world with their enthusiastic and acute eyesight."

Hu felt a writer should write about every aspect of life. His views were forceful criticism to literary works which tended to formularize and generalize at that time.

He wanted to strengthen China's literature but he was accused of being subjective, idealistic and anti-realistic.

percent, 9.72 percent, 10.8 percent and 12.12 percent from the present 7.2 percent, 8.28 percent, 9.36 percent and 10.44 percent, respectively.

For example, a 1-year time deposit of 100 yuan previously earned 7.2 yuan in annual interest. After the readjustment of interest it can earn annual interest of 8.64 yuan. At the new interest rate, an 8-year time deposit of 100 yuan will earn interest of 99.36 yuan in 8 years. Interest rates for urban and rural residents' savings accounts will also be raised. At the same time the bank will also raise interest rates for deposits made by enterprises and institutions to the same level as individuals' deposits. This raise will help stabilize bank deposits and prevent people from depositing public funds in the name of private funds.

After raising the interest rates for deposits we will also raise lending rates. In consideration of the ability of enterprises to endure the raise, the increase in lending rates is comparatively smaller. For example, the annual interest rate for 1-year loans for use as circulating funds will only increase to 9 percent, from the present rate of 7.92 percent. At the same time, all specialized banks have been instructed to offer different lending rates to different trades and professions, for loans of different duration, and in consideration of the economic efficiency of an enterprise. The preferential interest rates for loans used as circulating funds will also be properly readjusted.

The main purpose of the interest rate readjustment is to stabilize and increase bank deposits, curb demand for bank loans, urge enterprises to improve economic efficiency, and help stabilize the money market and commodity prices.

**CPC Official Says Views on Reform Solicited**  
*HK1608050988 Beijing ZHONGGUO XINWEN SHE*  
*in Chinese 1405 GMT 12 Aug 88*

[Report by Tian Di (3944 0966): "Yan Mingfu Says China Is Soliciting Views on Reform According to the Democratic and Legal Procedure"]

[Text] Beijing, 12 Aug (ZHONGGUO XINWEN SHE)—Yan Mingfu said today: In reform it is necessary to fully promote democracy. With regard to the current price and wage reform, the CPC Central Committee and the Chinese Government are extensively soliciting views according to the democratic and legal procedure.

This is disclosed by Yan Mingfu, member of the Secretariat of the CPC Central Committee, at an informal discussion meeting today with Taiwan academics attending the academic symposium of the Taiwan Fellow-Students Association.

When briefing the Taiwan academics on the current situation in reform, Yan Mingfu said: The mainland is conducting price and wage reform according to the law

governing market regulation. The prices of several hundred thousand kinds of commodities have been irrational for a long time. The state has to spend some 80 billion yuan annually on financial subsidies for farm produce and manufactured goods alone. In the wake of price reform, it is necessary to carry out wage reform to ensure that the living standards of the greatest majority of the people will not drop, to raise their capacity to withstand the strains of the price reform, and to solve the problem of the wages of mental laborers being lower than the wages of physical laborers. By implementing the financial contract system and placing the focus of taxation on the contracting and leasing of enterprises we have raised the economic results and effected optimized combination. On the mainland there are now enterprises contracted by foreigners. He said experts inside and outside Taiwan island are welcome to return to contract for enterprises.

He said: The reform has reached a critical stage and is facing great difficulties. The greatest difficulty lies in the fact that the commodities over which price controls have not been lifted, cannot meet the needs of society in both quantity and variety. In reform it is necessary to fully promote democracy. The central authorities are extensively soliciting views according to the democratic and legal procedure and make this known to every household. The leading bodies have a sober understanding about this and, with full confidence, overcome the difficulties together with the people of the whole country. He believed that, with the concerted efforts of the patriots inside and outside the Taiwan island and on the mainland, China will certainly be able to takeoff.

He disclosed that the CPC Central Committee and the government are struggling against decadent practices which discredit the party and the government and are ready to take firm measures.

Yan Mingfu told the Taiwan academics that the reform is initiated by Mr Deng Xiaoping and that reform reflects the demands of the people and the times. Even if Deng Xiaoping retires completely, reform will certainly press forward with indomitable will and, under the leadership of the CPC Central Committee and with the efforts of the people of the whole country, be carried out from one generation to another.

**Direction of Reform Efforts Discussed**  
*HK1608061688 Shanghai SHIJIE JINGJI*  
*DAOBAO in Chinese 8 Aug 88 p 1*

[Letter From Beijing by reporter Lin Hongdai (2651 3163 1486): "Contradictions, Imbalances, Injustices, and Corruption Are To Be Resolved in the Course of Deepening Reforms and Not in the Course of Stagnation and Retreat"]

[Text] Beidaihe, where China's highest authorities hold executive meetings every summer is regarded by world opinion as a source for China's new round of reforms.

However, the authorities branded him as the chief of an antiparty clique, for which he was subsequently jailed for 25 years, and his case wasn't cleared until 1980.

Last June, the central authorities reexamined his writings and further rehabilitated him.

In two forums on Hu's writings held here recently, experts said the reevaluation not only corrects a historical wrong but also signifies a need to reconsider China's modern literary history.

Lu Yuan, a poet who was also labelled a member of the "Hu Feng counter-revolutionary clique," said Hu was so emotional he could not avoid having extreme and subjective views.

Participants at the first forum agreed that Hu was a literary critic with a distinct character and creative spirit and that the wrong treatment to him was in essence to solve a rather complicated and subtle problem of literary thought by simple and rude political means.

Liu Zaifu, a well-known literary critic who attended the second forum, said Hu's problem was not just his own but a major problem of China's socialist literary movement.

Its consequence has cast a shadow on the mentality of Chinese intellectuals for at least two generations, Liu said.

**State Council Pushes Administrator Training**  
*OW1508135488 Beijing XINHUA in English*  
1114 GMT 15 Aug 88

[Text] Beijing, August 15 (XINHUA)—The State Council, China's highest governing body, has decided to set up a special school to train administrators, XINHUA learned today.

The State Institute of Administration will prepare government functionaries for senior or medium-ranking posts. It will operate under the State Council while receiving guidance from the State Education Commission and the Personnel Ministry.

Yuan Baohua, president of the Chinese People's University, heads a preparatory group for the establishment of the "advanced-type" school, which is expected to accelerate the reform of China's current personnel system, State Council sources said.

**NPC Forum Discusses Administration Litigation Law**

*OW1208123088 Beijing Xinhua Domestic Service in Chinese 1353 GMT 10 Aug 88*

[By reporter Zhang Sutang]

[Text] Beijing, 10 Aug (XINHUA)—The PRC Administration Litigation Law, an important law to further a legally based administrative system in China, is at present being speedily drawn up.

This law, which was drawn up by the Legislative Affairs Commission of the NPC Standing Committee, has recently been submitted to a forum of experts from the field of law, the judiciary, and state administrative institutions, as well as scholars and personnel from the judiciary and state institutions, for discussion and to solicit their views.

During the 4-day forum, notables from the various fields argued that the Administration Litigation Law not only perfects the existing administration litigation system in China but also perfects the entire Chinese administration litigation system. At the same time, they also believed that the formulation of the Administration Litigation Law also helps realize political restructuring and fulfill the urgent need of democracy. They hoped that the law will come into force as soon as possible.

The Administration Litigation Law refers to private citizens and organizations taking legal actions in people's courts against administrative institutions and public servants of the state when they feel that their legal rights have been infringed upon in specific administrative actions by administrative institutions and public servants during the course of exercising their authorities. The Administration Litigation Law, which in layman's terms means "private citizens suing public officials," is one of the basic laws of the country. Its purpose is to protect the legal rights of private citizens and organizations and to ensure that they are able to seek redress when their legal rights are infringed upon by administrative institutions. At the same time, this law will encourage the administrative system to be legally based, and supervisory administrative organs, when they exercise their authorities, will be able to act in accordance with the law and overcome bureaucratism. It will also protect administrative institutions by enabling them to fully exercise their authorities in accordance with the law and enhance administrative efficiency.

Gu Angran, vice chairman of the Legislative Affairs Commission of the NPC Standing Committee, gave a briefing on the drafting of the Administration Litigation Law, and the basic guidelines for its formulation. He said: China's administration litigation system was established in 1982. Along with the continuous strengthening of reform and opening up to the outside world in recent years, the number of administration litigation cases have been on the increase. Currently, there are some 120 laws



and regulations governing procedures to appeal to the people's courts against administrative punishment and actions. Over 1,000 courts nationwide have set up tribunals to deal with administration litigation cases, and have begun to hear such cases.

The notables taking part in the forum argued that in formulating the Administration Litigation Law, we must integrate it with China's prevailing conditions, consider the many specific issues that have appeared during reform and opening up to the outside world, and with a mind for development, formulated an Administration Litigation Law that has Chinese characteristics.

During the discussion of the different articles in the law, the participants aired many different views. The notables from various fields enthusiastically discussed the scope of administration litigation cases to be handled by the people's courts, whether hearings on administration litigation cases are to be based on laws and regulations, the relations between administrative review and litigation, and whether courts' rulings can overturn administrative decisions.

**Forum Urges Perfecting People's Appeal System**  
*OW1308125788 Beijing Domestic Service in Mandarin*  
0930 GMT 10 Aug 88

[Text] Some comrades of the central authorities in the capital responsible for dealing with the letters citizens send in and the complaints they make when they call, their lawsuits, and appeals, held a forum this morning, calling for establishing and perfecting the system for people's appeal through legislation as soon as possible to ensure people's democratic rights to file charges in court and to appeal.

At present, Chinese people's appeals are mainly divided into the following two categories: One is a lawsuit appeal from a charge filed in court. This is the responsibility of and handled by organs with public authorization. The other is nonlawsuit appeal in case of people's accusation. This is the responsibility of and handled by party and government organizations.

Comrades at the forum believed that the former, though clearly stipulated by law, is overly highly-principled. For example, in case of appeal of a criminal case, no definite limit is set on persons making appeal, their reasons, level of law court trying such a case, and the effectiveness for a given period of time for such an appeal. The latter is basically in a state in which there is no law to resort to. Some organizations handling the latter find their functions and responsibilities overlap and their power not clearly defined. This gives rise to the phenomenon of frequent occurrences of bypassing the immediate leadership and repetition and overlapping in processing the same case.

Comrades at the forum pointed out: Establishing the system for people to appeal is an important content of strengthening socialist democracy and the legal system. Perfecting legislation for appeal provides a basic guarantee for citizens to exercise their constitutional right of filing charges in court and making an appeal. They called on departments concerned to make the law as soon as possible so that the activities of citizens' complaint letters and calls, filing charges in court, and appeal may be incorporated in the track of legal system at an early date.

**Corruption Hotline Averages 8 Calls Per Day**  
*OW1608140488 Beijing XINHUA in English*  
0606 GMT 16 Aug 88

[Text] Beijing, August 16 (XINHUA)—A telephone hotline for citizens to expose corruption fielded an average of eight calls a day in its first month of operation.

According to a CHINA NEWS SERVICE (CNS) story, 243 calls were made in July to the special telephone line set up by the Supreme People's Procuratorate June 30.

Accusations were made against 268 officials including 21 functionaries from the government. Most of the cases were economic crimes, two-thirds related to bribes and grafts involving 10 million yuan.

The callers included one from Hong Kong, one from Macao and a foreigner of Chinese origin, CNS reported.

The Supreme Procuratorate is delving into 13 of the more serious cases.

A spokesman said the rights of the accusers are protected provided their information is accurate and correct, and "anyone who tries to retaliate will be dealt with according to law."

**Most 1988 College Graduates Placed in Jobs**  
*OW1308113088 Beijing XINHUA Domestic Service*  
in Chinese 1320 GMT 5 Aug 88

[Text] Beijing, 5 Aug (XINHUA)—A spokesman of the State Education Commission said today that the work of placing the 1988 graduates of regular institutions of higher education has been basically finished, and more than 430,000 college graduates will start working.

Some 457,000 college students graduated in China this year. About 23,000 of them have been admitted to graduate schools, and therefore have not been assigned jobs. The spokesman said: The state continued the unified placement system for the 1988 graduates, but it improved the placement procedures. The major improvement was that schools were given greater power in placing the graduates, and the placement plan was implemented after contacts and consultations between schools and employers. At the same time, more organizations were selected to practice job interviews with the

graduates before their job search. According to reports from various localities, this year's placement plan was well-implemented and the job-assignment work was done successfully.

The spokesman said: This year's placement still encountered some difficulty due to changes in demand. The society has only a small demand for graduates of certain less popular majors. The placing departments at all levels and schools increased their contacts with employers, organized job interviews between employers and the graduates, and did all they could to place the graduates. At the same time, many schools provided guidance to graduates so that they would choose their jobs in accordance with the needs of the country and the society and in consideration of their own reality and conditions.

The spokesman said: We enhanced "openness" in this year's placement. The Qinghua University, the Shanghai Jiaotong University, the Fudan University, and the Xian Jiaotong University enlarged the scope in which employers could come to school campus to openly recruit employees from among the graduates. Under the guiding principle of the planned state placement, many schools made public the school placement plans, the graduates' moral character, academic records, and physical condition, as well as the names of those graduates who had special difficulties and needed preferential treatment. To the knowledge of the State Education Commission, most graduates are satisfied with this year's placement. According to reports from various localities, more graduates were assigned to grassroots units this year than in previous years. In Shanxi and Hubei, more than 80 percent of the graduates were assigned to grassroots units; and 90 percent of the graduates of the Shanxi Agricultural University were assigned to county and lower-level units.

At present, many employing organizations are warmly receiving the new employees.

The spokesman said: There were also some problems concerning the placement of college graduates this year. Some employers changed their minds after they agreed to hire the graduates. Some employers were still unwilling to hire women. Some graduates of less popular majors or poor academic records and those who expect too much were hard to get placed or were rejected by employers. Some schools did not place the graduates in accordance with coordinated plans. The departments and schools concerned are studying how to solve the problems.

**Railways Suffer Serious Passenger Overloading**  
*OW1308122788 Beijing XINHUA in English*  
0637 GMT 13 Aug 88

[Text] Beijing, August 13 (XINHUA)—A total of 700,000 passengers have to travel standing on trains in China every day, said an official from the Ministry of Railways today.

The official cited July as an example. Every day 3.711 million passengers travelled by train, but the country only has 2,000 trains in operation every day, and they can only provide seats for three million passengers.

The shortage of places on the railways this summer was caused mainly by a sharp increase in the number of tourists taking trains, he said.

According to him, half of the railway passengers are tourists, and most of these are travelling at public expense.

Meanwhile, students on holiday, the increasing numbers of travelling business people and pedlars, and a plethora of "official" meetings are also responsible for overcrowding on the railways these days, he said.

**ZHONGGUO TONGXUN SHE on Mainland Media**  
*HK1608052688 Hong Kong ZHONGGUO TONGXUN*  
*SHE in Chinese 0952 GMT 12 Aug 88*

[Report by Yi Lan (0122 5663): "Mainland Media Has Not Changed the Use of Hackneyed and Stereotyped Expressions"]

[Text] Hong Kong, 12 Aug (ZHONGGUO TONGXUN SHE)—This writer has recently spent 2 months making an investigation on the mainland of China. One of the profound impressions left on him is that news is slow in its transmission, available information is limited, the area of coverage is narrow, and more favorable things than unfavorable ones are reported. There is as yet a breakaway from the use of stereotyped expressions.

Some "news" that cannot be regarded as news has taken up the space of whole pages of newspapers and prime TV time. For example, even published as news are the most fundamental demands of a job that are taken for granted, such as: The cadres of a certain area being above abusing authority to serve private ends; a shop of a certain area playing fair and not giving short weight; the workers of a certain factory putting in 8 full hours of work....

On the contrary, seldom reported are criminal cases and traffic accidents that often happen, news of various kinds about society, people's complaints about the government and about matters of livelihood, and so forth. There is still a market for the claim that "news about society appealing to low tastes is not news." In the morning of 23 July, about 20 trucks loaded with nearly 100 criminal offenders moved slowly in a parade through the main streets of Wuxi City, Jiangsu Province under the escort of many police cars sounding their horns. All streets were jammed with people that came out for a look. This writer witnessed this "spectacular scene." But in the evening, nothing was reported about it in the news programs of the two television stations of Jiangsu Province. Nor was anything said about it in the local newspapers the next day.

If it is said that it is normal practice for the Central Television Station to report state heads' activities in the domestic and diplomatic fields as important news, then local television stations are liable to be accused of repeating things like a parrot. In the summer of this year, frontpage evening news of Jiangsu and Zhejiang Provinces and Shanghai was almost all taken up with the activities of the responsible persons of these two provinces and that municipality directly under the central authorities. Moreover, there was invariably added the word "personally," as things were put in such terms as "personally making a survey," "personally offering comfort," and "personally making an inspection." What is the duty of a person's job is given quite a big buildup. This makes people suspect that the local news media is currying favor with the local authorities. People also cannot help wondering: Have these local officials in normal times made a habit of handling things "not in person?"

In reports on industrial and agricultural production, we can almost recite from memory fixed terms that are used, such as "Under the concern and leadership of...," "In order to realize..., in order to;..." Only after such terms are introduced, is the real subject mentioned. It is actually a good thing to have more news about reform reported. But cases of the reform running into setbacks are very seldom reported. Yet this phenomenon is not rarely seen in real life. Given the impact of the commodity economy, many dishonest and even corrupt officials have appeared among the ranks of Chinese Communist cadres. This has long been known at home and abroad. But the mainland media has mostly given more attention to so-called "positive reports," such as how a certain organ of a certain area educates cadres in the need to be honest, how a certain cadre of a certain area refuses to accept bribes, how a certain unit gets rid of corruption, and so forth. It is really a sleight of hand, with "negative news handled in a positive way." That explains why people on the mainland have also learned to "read positive articles in a negative way." It should be said that this phenomenon is a deplorable side of the mainland news media. The Chinese Communists have put too much emphasis on "publicity" and overlooked the role of the news media itself. This would only downgrade its own position in the minds of the masses. Have the officials in charge of the news media given consideration to this?

**New Trends in Population Movement Reported**  
OW1608000488 Beijing XINHUA Domestic Service  
in Chinese 1130 GMT 15 Aug 88

[By reporter Wu Shishen]

[Text] Beijing, 15 Aug (XINHUA)—A sample survey of 1 percent of the population of China shows that people are moving from rural to urban areas and from the interior to coastal and industrial-mining regions, and that a rising number of people have moved for the

purposes of engaging in industry and commerce or pursuing studies and training. These are the main trends and characteristics of the current population movement in China.

According to estimation of the State Statistics Bureau, 30.58 million people, or 2.8 percent of the population, moved to other cities, towns, or districts in the past 5 years. An increasing number of people have changed their residence in recent years. Compared with 1982, the number of people who had moved almost doubled in 1987. Judging from the structure of movement, as many as 60 to 70 percent of the people, or (?18.5) million, moved from rural to urban areas. Those who moved to other provinces constituted 20.7 percent, and about 1.53 million people moved from the interior provinces to the coastal and industrial-mining regions. Shanghai, Beijing, Hebei, and Shandong each had a net gain of at least 200,000 people. But, in the interior provinces, where large numbers of people used to move, there is a trend of population outflow. Nineteen provinces and autonomous regions have more people leaving than entering, and in Qinghai more than 1 percent of the people have moved out.

The sample survey also shows a significant characteristic of population movement, that is, the number of people who moved for the purpose of engaging in industry and commerce or pursuing studies and training has increased markedly. According to estimates, the number of people moving to engage in industry and commerce has increased to 2.84 million in the past 5 years, those pursuing studies and training to 2.5 million, constituting, respectively, 9.3 and 8.3 percent of the total population movement. The percentage of those who moved because of marriage, a previously predominant factor, has declined. In rural areas, however, marriage remains the primary factor in population movement. With every 100 women moving in, there is only 1 man. This reflects the marriage custom in the countryside, where a bride goes to the groom's house to take up residence.

According to an analysis, the new trends of China's population movement are closely related to the development of the commodity economy in urban and rural areas. Since the introduction of the contractual responsibility system in rural areas, labor productivity has increased considerably, and a large amount of surplus labor has been diverted to industry and commerce in urban areas. Opening and development of the economy in the coastal regions have attracted many people from the interior provinces to pursue studies and training in promoting educational, scientific, and technological undertakings in their provinces. Along with the continuation of the population movement, these trends will become even more conspicuous in future.

**Family Planning Education Shows Results**  
OW1508204188 Beijing XINHUA in English  
1422 GMT 15 Aug 88

[Text] Qiqihar, August 15 (XINHUA)—Making more information on family planning available in China's



provinces and autonomous regions has proven effective in promoting the country's population planning, a local official said today.

Addressing a national meeting on population control and family planning, Wu Jingchun, vice-minister of the State Family Planning Commission, said, family planning education is now being conducted in all China's provinces and autonomous regions, including basic information on demography, family planning policies, the legal system and family planning techniques.

"More family planning education has helped people better understand population planning, marriage and childbirth," Wu said.

As a result of these educational programs, 906 couples in Jixi City, Heilongjiang Province, expressed their willingness to postpone having a child until they were 25, and 359 couples, who are entitled to have a second child, have decided to only have one.

In suburban Fuyu County in Qiqihar City, also in Heilongjiang Province, 125 villages, or 84.5 percent of the total county-wide, have reported no childbirth cases in violation of the country's family planning policies, Wu said.

**Reduction in Birthrate Saves Nation Money**  
*HK1608121488 Hong Kong WEN WEI PO in Chinese*  
*15 Aug 88 p 14*

[Report: "According to the State Statistical Bureau, China Reduced the Number of Newborn Babies by Some 100 Million People"]

[Text] The State Statistical Bureau published some figures about China's population. The data show that China reduced the number of newborn babies by some 104 million people, and this saved the nation nearly 1,000 billion yuan.

In 1978, the general child-bearing rate of Chinese women (the average number of children borne by a woman in her whole life) was 2.716; in 1984, this rate declined to 2.19. In the past 2 years, due to the change in the age structure of the population and other factors that brought China into another birth boom period, this rate rebounded to 2.49 in 1987. However, in the past 10 years, due to the policy for controlling the population, China reduced the number of newborn babies by an average of 10.42 million each year.

In addition, according to the data published by the State Statistical Bureau, the rate of divorce in China's married population fell from 0.83 percent in 1982 to 0.69 percent last year. The Chinese people's life expectancy reached 69 years, or 1.2 years higher than the figure in 1982.

**Rui Xingwen Addresses Mayors' Meeting**  
*OW1208121288 Beijing Domestic Service*  
*in Mandarin 0930 GMT 8 Aug 88*

[Text] A meeting of mayors, the first ever since the founding of the Republic, opened in Taiyuan City, Shanxi, on 8 August. Over 100 mayors from the country's 25 provinces, municipalities, and autonomous regions sat together to explore the approaches to carrying out in depth the economic structural reform and the reform in the political system and facilitating the flow of ideas and information. Rui Xingwen, member of the Secretariat of the CPC Central Committee and honorary president of the National Mayors' Association, spoke at the meeting.

**PLA Navy Continues To Develop Various Missiles**  
*OW1508082288 Beijing Domestic Service*  
*in Mandarin 0200 GMT 5 Aug 88*

[Text] After 30 years' development, the offensive and defensive capabilities of the PLA Navy's weapons and equipment, composed mainly of guided missiles, is beginning to take shape.

Various types of naval strategic and tactical guided missiles have formed a complete surface defensive system along the long coastal line and on the vast territorial waters of the motherland.

The Chinese Navy began to research and manufacture guided missile weapons and equipment in the 1950's. The earliest antiship guided missile started with imitating foreign guided missiles. In the early 1970's, the Navy began to design and renovate its own guided missiles. The types of naval guided missiles were gradually developed from guided missiles for coastal defense to various coast-to-ship, ship-to-ship, ship-to-air, air-to-ship, submarine-to-ship guided missiles. The functions of some guided missiles in various aspects have reached the advanced international standard of the 1980's. Now the People's Navy owns not only tactical guided missiles but also strategic nuclear guided missiles. China's test launch of strategical guided missile by submarine from under water in October 1982 symbolizes a change in the quality of naval development of weapons and equipment. The three types of naval guided missiles displayed in the grand parade celebrating the 35th National Day demonstrate the imposing sight of the Navy's modernization.

At present, the combat operations and technical performance of naval tactical guided missiles are progressing in the direction of achieving supersonic, hedgehopping, (?super-century), automation, intelligence, and precision functions.

**Beijing Commander at Shanxi Military Exercise**  
OW1108144488 Beijing XINHUA Domestic Service  
in Chinese 0735 GMT 6 Aug 88

[By reporter Zhao Su]

[Text] Taiyuan, 6 Aug (XINHUA)—The tactical exercise conducted by a group army under the Beijing Military Region at a Shanxi basin—known as the fire basin in northern China—concluded today.

This was the first tactical exercise conducted in hot weather by the Chinese PLA's northern units to test readiness for local war and unexpected events. The exercise shows that the units have achieved a breakthrough in broadening and upgrading training reform, and that the Chinese Armed Forces are more proficient in responding to local wars and unexpected events under all sorts of complex situations.

This summer, the average daytime temperature of the basin in Shanxi hovered around 35 degrees celsius. When the exercise began, the surface temperature was as high as 53 degrees celsius. The vast "war zone" seemed to be burning in heat waves under the scorching sun. However, the group army went full steam ahead with the exercise, making full use of the situation. By analyzing the "enemy situation" and discussing tactics with commanders of the exercise, Commander Zhou Yibing and other leading comrades of the Beijing Military Region made the commanders realize that, under formidable and complex situation, tactical decisions and moves should be based on reliable, scientific information. After repeated rehearsals, the commanders learned how to issue tactical commands on the basis of weather conditions and terrain. They also gathered some 100 pieces of information concerning how weather conditions can affect the tactical moves of tanks, armored infantry, artillery units, signal units, reconnaissance units, and chemical defense units; and learned how to fight the enemy under complex weather conditions and how a large army unit can maneuver under inclement weather conditions such as high temperatures, great humidity, thunderstorms, and mountain torrents.

During the exercise, which lasted several days, this reporter learned how officers and men in camouflaged attire took preventive measures against heat so that they could maintain high morale and good physical condition while carrying out duties on hot river beaches and inside sweltering armored vehicles. It is learned that the troops that took part in the exercise found over 130 ways to avoid the heat, thus gaining precious experience for maintaining the proper functions of weaponry and reducing the number of noncombatants under high temperature and humidity.

Basing on the results of the exercise, the commanders have written over 90 articles discussing hot weather tactics, thus enriching the Chinese PLA's tactical theories.

**Scholars on Scientific Progress, Commodities**  
HK1508103288 Shanghai SHIJIE JINGJI DAOBAO  
in Chinese 8 Aug 88 p 2

[Report by Zhang Weiguo (1728 0251 0948) from Xiamen: "The Fruit of Science and Technology Grows on the Trees of Commodity Economy"]

[Text] Some scholars who have made efforts for many years to search for the causes of the backwardness of China's science and technology sharply point out that science and technology should not be taken as some magical and miraculous things that transcend the social and cultural realities, in fact science and technology are closely linked with certain social realities and cultures. China needs science and democracy, but without transforming the traditional culture and without developing a commodity economy, such wishes will not be realized because of the lack of the necessary social foundation and environment. A debate on this viewpoint was carried out at a recent symposium held by the Society of Research in Dialectics of Nature and the Institute of History of China's Natural Science on comparison between Chinese and Western thoughts about science.

Many speeches and treatises held that a more important cause of the backwardness of China's science and technology in modern times existed in the traditional way of thinking about science. The fatal weak points were the lack of scientific experiments and actual researches and the lack of analysis and synthesis. The Chinese philosophy did not provide guidance on the points of theoretical summarization and methodology for the development of science and technology.

Some scholars came straight to the point by saying that the question of "why is China's science and technology backward" itself will produce an unavoidable side effect, that is, it may cause or deepen such a false impression in the minds of some people: It seems that China is only backward in science and technology and is not backward in other fields or not so seriously backward in other fields as in science and technology. So if China's science and technology can catch up with the world's advanced level, then China's backwardness will completely be changed. This is not a scientific idea because it regards scientific progress as something miraculous rather than a kind of ordinary social phenomenon.

For many decades, the Chinese people have been yearning for science and democracy as people tortured by long drought yearn for a good rain. They can only see the difficult and even lopsided development science in China, but they can hardly see the shadow of democracy. On the contrary, they even encountered the unexpected 10-year "feudal fascist dictatorship." The ignorance of the Chinese people was mocked by history: We only see the results and did not see the causes, and we do not know on which tree the fruits grow. Democracy and science are both fruits, and the basic social factor that gives rise to them is the commodity economy. Therefore,

without transforming the traditional culture, we will not be able to build a commodity economy and will not be able to form a social environment for the growth of science and democracy.

The scholars who put forward this opinion reached this conclusion that science and technology, as well as their development, should be melted into the profound social and cultural realities and be organically integrated with the entire society so as to create more favorable conditions for continuous cultural renewal.

#### **State Enterprises Adopt Responsibility Systems**

*OW1208224688 Beijing XINHUA in English  
1013 GMT 12 Aug 88*

[Text] Beijing, August 12 (XINHUA)— China's state-owned industrial enterprises have accelerated the reform of management since the start of the year. Now four-fifths of them have adopted the director responsibility system and have reported better results.

A survey of 60,000 state-owned enterprises recently conducted by the State Statistics Bureau shows that these enterprises have benefited from the greater flexibility of the system. Output value and profits/taxes in the first half of the year were 13.3 percent and 15.9 percent higher than for the same period last year.

Most of the large and medium-sized state-owned enterprises have adopted various types of responsibility system. Of the 13,000 enterprises surveyed, 90 percent, or eight percent more than last year, have adopted such systems.

According to the survey, of the 40,000 small enterprises, 53.3 percent have changed managerial styles. Output value and profits/taxes produced by these enterprises in the first six months this year were 23.9 and 36.7 percent higher.

However, an official from the State Statistics Bureau said the management reforms are not being carried out evenly. Some enterprises are benefiting more than others. He said that measures are being taken to introduce greater competitiveness into the contracting systems.

#### **Analysis of Factories Urge Streamlined Workforce**

*OW1308150688 Beijing XINHUA in English  
1221 GMT 13 Aug 88*

["News Analysis: Streamlining Workforce a Headache for Directors"—XINHUA headline]

[Text] Shenyang, August 13 (XINHUA)—Chinese factory directors all realize how necessary it is to get rid of redundant employees, but they find that it is not so easy to carry this task out.

The directors, who have been granted decision-making power in the country's economic reform, are making every effort to offset their losses caused by overstaffing and low-efficiency problems.

It is estimated that there are at least 15 million unneeded workers in China's state-owned enterprises. This situation has been described by some Chinese economists as "on-the-job unemployment." It is also estimated that if the unneeded workers are all removed, the enterprises will deliver an additional 20 or 30 billion yuan to the state in profits and taxes every year.

Factory directors in Beijing, Shanghai, Qingdao and Shenyang have been playing pioneering roles in the labor system reform to cut redundant workers from the payrolls, in a bid to do away with the "iron rice bowl" system. Minister of Labor Luo Gan is an enthusiastic supporter of the on-going reform.

As a result, about 40,000 workers have been let go by 700 factories in Shenyang since the beginning of this year, but a city government spokesman estimated that this figure represents only one sixth or one seventh of the total surplus employment in Shenyang factories.

However, Chinese factory directors can not simply dismiss the unneeded workers unless new jobs are found for them. As Minister Luo said, factory directors should not simply transfer the pressure of unemployment to the society but should offer other employment opportunities by opening up new businesses.

Some dismissed workers are reemployed in factory-run shops, restaurants and newly opened processing workshops, but some unlucky ones have to stay at home waiting for new jobs and live on state subsidies lower than their original wages.

The conventional Chinese thinking is that enterprises should play a paternal role by being responsible for a person's job, income, housing and welfare benefits, and even for those of his children.

Some workers, therefore, are unprepared mentally for the labor system reform, which has brought about conflicts between employers and employees.

A spokesman from the Liaoning provincial federation of trade unions said that in the first half of this year, strikes and go-slows had occurred as some workers felt that their interests had been infringed upon.

"This indicates the necessity for factory directors to respect the rights and interests of the workers, and consult with workers' representatives before making major decisions," the spokesman said.



Dismissal has also changed some people's luck. Li Suying, who was dismissed from a factory because her Japanese-language qualification had no application there, has found a more suitable job in the provincial building materials bureau.

**Nation Attracts More Foreign Investment**  
*OW1308130888 Beijing XINHUA Domestic Service  
in Chinese 0639 GMT 9 Aug 88*

[By reporter Wu Shishen]

[Text] Beijing, 9 Aug 88 (XINHUA)—The momentum in China to use more foreign capital is greater this year. According to the latest figures from the State Statistical Bureau, an average of 12 agreements on direct investment by foreign firms were reached each day during the first half of this year, 1.8 times that of the same period last year. The value of these foreign investment amounted to U.S.\$2.086 billion, an increase of 1.4 times over the same period last year.

The constitution of these some 2,100 new agreements on direct foreign investment improved markedly. The proportion of foreign investment in productive concern, such as industries, agriculture, construction, communications, and transport has increased to around 80 percent from 42 percent the same period last year. There has also been further a higher increase in large-scale advanced technology and export-oriented projects. Projects such as the Northern Automobiles Company Limited, which produces various types of nonhighway vehicles that are technically of international standard, greatly help renovate and upgrade China's industrial products, and enhance its capability to export and compete. Wholly foreign-owned enterprises have grown rapidly. The number of wholly foreign-owned enterprises approved during the first half of this year was 90, an increase of 3.3 times over the same period last year, while the value of these foreign investments increased by 23 times.

According to briefings, along with the implementation of the strategy to develop the export-oriented economy of the coastal regions, the various localities have been vigorously developing business in the three forms of import processing and compensation trade by integrating local human and material resources. During the first half of this year, foreign firms have provided U.S.\$310 million worth of equipment for processing, assembling, and compensation trade, an increase of 72 percent over the same period last year. The growth in the three forms of import processing and compensation trade promotes the expansion of export trade. According to statistics of the customs authorities, the value of export from compensation trade and the various forms of processing nationwide during the first half of this year was about U.S.\$550 million, an increase of 48 percent over the same period last year.

**Gap Between Public, Private Sector Income Viewed**  
*OW1608014088 Beijing BEIJING REVIEW  
in English 15-21 Aug 88 pp 4-5*

["Notes From the Editors" column by Dai Yannian:  
"Dealing With Unfair Income Gaps"]

[Text] A few years ago, there was much talk about the defects of absolute egalitarianism—the system known in China as "everyone eating from the same big pot." Now it is the problem of large gaps in income which has become the hot topic for discussion among the people. What attitude should be taken towards this problem?

Today in China, some people earn comparatively high incomes. For example, the self-employed, owners of private enterprises and the staff of Sino-foreign joint ventures take home a lot more than those who work in state-owned companies. Now, about 10 percent of the nation's 12 million self-employed industrial and commercial workers earn over 10,000 yuan a year, and 1 percent of these earn far more—up to hundreds of thousands of yuan. Some contract construction workers, taxi drivers, designers, renters of property, actors and writers also earn much more than the average. As do some workers with second jobs and retired people who restart work.

In the primary stage of socialism, the central task for China is to develop production. At the moment, various economic sectors coexist alongside the main body of public ownership, supplementing and complementing it. They have played a positive role in promoting economic growth, meeting market needs and employing idle people, and so the relatively high incomes they offer through legitimate business should be protected.

According to a survey conducted by the State Administration for Industry and Commerce, the overwhelming majority of self-employed industrial and commercial workers across China receive an average annual income of 3,000-4,000 yuan, or about two times the 1,400 yuan average for workers in state-owned enterprises. However, the latter do enjoy various state subsidies—free medical care, labour protection, welfare, rent and price subsidies to which self-employed workers are not entitled. Adding these to the basic wage raises it to 2,000-3,000 yuan. Since self-employed workers generally work longer hours under poor working conditions and take greater risks, for the majority their higher incomes are not unreasonable.

The overly high incomes of a few self-employed workers can be regulated through levying personal income tax. The State Council issued regulations last year, and now in Beijing, people who receive a total monthly income of over 400 yuan are taxed at a 20-60 percent progressive rate. By the end of 1987, 3.6 million people worked in China's 225,000 private enterprises with eight or more employees. At the moment they generate just 1 percent

of the country's total industrial output. But if the number of these businesses hits the 2 million mark, their output value will make up 10 percent of the nation's total and 36 million surplus labourers will get jobs.

Recently, the State Council published the Interim Regulations on Private Enterprises, Provisional Regulations on Private Enterprise Income Tax and Provisions on Levying Personal Income Regulatory Tax on Private Enterprise Investors. These state that while property, inheritance and other legitimate rights of the proprietors of private enterprises are protected, their high incomes have to be regulated. It is stipulated that the wages of directors cannot be greater than 10 times as much as the average wage of their work force.

Private enterprises pay a basic 35 percent rate of income tax, and 50 percent of after-tax profits could generally be retained for the development of production. All income distributed to investors is subject to standard income tax regulations.

The same is true of contractors hired by state-owned enterprises. Many of them have injected fresh vigour into economic operations, and so deserve to be rewarded. But excessive incomes have to be regulated by taxation.

Admittedly, there are problems with China's tax system. It was introduced shortly after the initiation of the reform programme as part of the policy to discard absolute egalitarianism and encourage an appropriate income gap. With a lack of experience in this field, some of the regulations have proved incomplete and various loopholes have appeared leading to unfair distribution of wealth. Such problems should be gradually solved. Recently, regulations were issued imposing fines of 5,000 yuan on minor cases of tax dodging and up to 30,000 yuan for serious ones.

Shortly, a system of reporting and recording personal income will be introduced into China, and the best way of dealing with speculation arising from the dual price system is to expedite the transition to a single price determined by the market.

Despite all these changes and the possibilities they offer for individual advancement, the egalitarian means of distribution remains deep-rooted in China. For many regions and work units, there are many difficulties in widening income differentials. But this should not prevent the "big pot" shared by all being pushed aside.

The problem of unfair pay has to be solved simultaneously, and so can be summed up as: Differences in pay should be widened so as to encourage individual enthusiasm and speed up the development of production, but disparities between personal incomes should not be so great as to lead to polarization between the rich and the

poor. Subsidies will remain for low earners, and the social insurance and relief system should be gradually improved. In short, the ideal of seeking common prosperity remains unchanged.

**Article Examines Problems Behind Price Spiral**  
*HK1608093088 Shanghai SHIJIE JINGJI*  
*DAOBABO in Chinese 8 Aug 88 p 11*

[Article by Hua Min (5478 3046): "What Are the Problems Behind the Price Spiral"]

[Text] Price spiral has become the focus of public attention. In the final analysis, the price increases by a wide margin are due to the structure. To this end, this article will proceed with the structure, analyze the cause of price hikes, and find a solution.

**The Dual Structure and Price Spiral [subhead]**

Since reform of the rural economic structure in 1978 China's unified economic structure started to split. To date China's economy has become a dual structure in which a rural commodity economic structure and an urban industrial planning economic structure coexist. It is precisely this dual structure which gave rise to the price spiral, disrupted the normal operation of the national economy, and drove economic reform into a predicament.

As everyone knows China's industrial development has been established on the basis of exploiting agriculture for a long time. The exploitation was mainly realized through undermining the law of value in a commodity economy and exchange at equal value and by adopting the method of price scissors in exchanging industrial products for agricultural ones. With the start and further deepening of the rural economic structural reform, however, the Chinese peasants have gradually been transferred from commune members to commodity producers with independent property rights. Because of the emancipation of this structure, the traditional exchange mechanism between industry and agriculture and between urban and rural areas is no longer accepted by the peasants. The peasants have requested exchanges at equal value. The exchange of industrial products for agricultural ones at equal value indicates that the prices of agricultural products should rise and those of industrial products should drop. If urban industry is unwilling to make a concession, the peasants who have become independent commodity producers will refuse to sell their produce or reduce production to retaliate. Hence, the price increase of farm produce is imperative and natural.

Moreover, the urban inhabitants, mainly the workers of state-owned enterprises, have benefited from China's industrial development. The state made use of the accumulated funds provided by the peasants gratuitously to create employment opportunities for the workers and offer them all kinds of welfare benefits and a secure

living environment with social insurance, such as housing distribution, free medical care, fixed wages, and even supply of all kinds of nonstaple food at a low price. Although urban workers and other inhabitants had their own troubles in the old system, they were already "aristocrats" compared with the exploited peasants. Therefore, once the Chinese peasants want development of a commodity economy, equality between urban and rural areas, and exchange of industrial and agricultural products at equal value, they will inevitably encounter objections from those in urban areas who have gained vested interests. Under such circumstances, the government will have to enormously increase financial subsidies and increase the wages of enterprise workers by a wide margin to stabilize the political situation, maintain normal production, and enlist support from urban inhabitants for economic reform. Consequently, revenue will fall short of expenditure and production costs of enterprises will rise sharply, eventually leading to all-around price increases of industrial products for the sake of extricating the government and enterprises from financial crisis.

Nevertheless, the all-around price increases of industrial products will inevitably offset the rational readjustment of the prices of farm produce and turn the advantages obtained by the peasants through the readjustment to naught. To protect their vital interests, the peasants will request the state again to readjust the prices of farm produce, which indicates a start of a new round of price hikes.

Thus it can be seen that price spiral which has taken place in the course of China's economic structural reform is in fact a structural problem rather than an ordinary problem concerning management over currency.

#### Government Investment and Inflation [subhead]

A basic feature of China's traditional planned economic system is that the government has always been the main body of social investment. As the main body of investment, the government is an outcome of China's industrial development. In an agricultural country with a backward economy, industrialization and modernization can be possible only when the limited economic resources of the country are highly centralized by the state.

Nevertheless, investment by the government as the main body can be efficient only when economic development is at a low level. If enterprises are not promptly turned to the main body of investment when the economy develops to a high level and large numbers of modern enterprises are established, economic development will reach a standstill and even give rise to serious inflation.

When the government is the main body of social investment, it gives rise to inflation because of the following: First, the main source of government investment comes

from taxes paid by the public and enterprises. As tax revenue does not constitute the debt of the government and the government is not restricted by proprietary rights in investing tax revenue, the government does not have to undertake any investment risks. The fact that the government does not have to undertake any investment risks determines that government investment will not be efficient. Second, as the government exercises control over the issue of currency, another major difference between government investment and enterprise investment is that the government can make use of the currency issue to make overbudgetary investment. Third, an outstanding characteristic of government investment is the inclination to the newly built enterprises. When finance is highly centralized by the central government and when the microeconomic activities of enterprises lack efficiency, the government will have to invest and build new enterprises to maintain the growth of the national economy and offer employment to the population increase every year. Nonetheless, investment by the government in building new enterprises is always made at the expense of the old enterprises. Hence, while the government invests in building new enterprises, it is always followed by a decline in a number of old enterprises. All this will inevitably lead to excessive demand and inflation of the national economy.

#### Wage Rigidity, Enterprises Vying With One Another in Issuing Bonuses, and Excessive Consumption [subhead]

Another basic feature of China's planned economic system is the government administrative distribution of labor forces and the three in one combination of employment, labor protection, and welfare benefits. Administrative distribution of labor forces by the government is usually realized with the target of "one hundred percent employment" and by the method that holds good for all time. This results in enterprises having no rights to select employees and laborers having no freedom to select jobs, and enterprises having a large number of redundant personnel and nonmobility of labor forces. This uncompetitive employment system gives rise to the problems of wage rigidity and excessive issue of bonuses, the root cause of price hikes and inflation.

When there is no mobility of labor forces and when enterprise operators are actually controlled by laborers, wages will only rise and never drop whether enterprise labor productivity is high or low and bonuses will only increase and never decrease whether the results of enterprise operation are good or bad.

#### Imperfect Market and Out of Control of Prices [subhead]

It is a generally acknowledged truth expounded in modern economics that market competition can play the role of keeping prices down. Nevertheless, perfect market competition should be based on the premise of a perfect market. However, the two-tier price system caused by



the combination of planning and market under the current system hinders the establishment of a perfect market and the rational operation of market competition.

An imperfect market is first manifested in the competition between monopoly operation of state-owned enterprises and nongovernmental enterprises. Under such a market structure, for the sake of their existence and development, the nongovernmental enterprises will have to adopt illegal competitive means to deal with the monopoly operation of state-owned industrial and commercial enterprises. Therefore, monopoly and illegal competition are the two different expressions of a same problem. When rational competition is replaced by illegal competition, market competition cannot play the role of keeping prices down because it has disrupted the role of the law of value and undermined the balancing function of the market mechanism.

#### The Crisis of Stagflation and Deepening of Reform [subhead]

The general price index rose 25.7 percent from 1985 to 1987. In the three years, wage funds rose at an annual average of 15 percent and bonus funds, 40 percent, while labor productivity increased at an annual average of only 4 to 5 percent, gradually bringing the national economy to a "stagflation crisis." This has hindered economic reform and also affected the normal development of the national economy. Unless the national economy is extricated from the "stagflation crisis," both reform and development will be out of the question.

In light of the above analysis, as the cause of "stagflation crisis" lies in the structure, the national economy can be extricated from the "stagflation crisis" only by deepening reform. In view of the contradiction between the old and new systems, we hold that the key to deepening reform lies in turning the two-tier system to a single-tier system and establishing a unified economic operation mechanism in which "the state regulates the market, while the market guides enterprises." Specifically speaking, we should speed up the pace of urban economic structural reform, separate government administration from enterprise management, establish the enterprise property right system, change the main body of social investment, and open up a labor market. All this means that drastic measures should be adopted in reforms. Without drastic measures, it will be impossible to eliminate the rivalry for benefits under the urban and rural dual economic structure, keep excessive investment and consumption under control, and ultimately resolve the problems of the market running out of control and price spiral.

As market prices have recently become the focus of public opinion, enterprise reform hit a snag because of the implementation of the contract system, and the substitution of a new system for the old one could not be smoothly effected because political structural reform

lagged behind, a number of people insisted on carrying out price reform first or replacing enterprise reform with price reform. However, we have repeatedly emphasized in this article that the question of structure is a practical problem behind the price spiral. If we give up the correct choice of deepening enterprise reform, it will be disadvantageous to settling the question of prices and also endanger reform as a whole.

#### Rural Contradictions Put in 'Proper Perspective' HK1608020588 Beijing BAN YUE TAN in Chinese No 14, 25 Jul 88 pp 17-19

[Article by Hua Guiqin (5478 2710 0530): "Putting the Rural Contradictions in Proper Perspective"]

[Text] In recent years, when working in the rural areas of Jiangxi, this reporter has found that the relations between the peasants and grass-roots cadres have been getting tense and there have been more contradictions between them. An incident which occurred last spring is worth pondering. Last spring, a cadre from the township government went to a village in that county to collect taxes. All the villagers were informed of his arrival as soon as he stepped into the village. All the adults left their homes and many locked up their houses to avoid meeting him. The visiting cadre saw no adults and only some children during his stay there.

What are the discords between cadres and the masses in rural areas?

#### Let us Listen to the Peasants Who Have Many Complaints [subhead]

—The restrictions on the marketing of agricultural products have not been lifted, and purchase by state orders and quotas still shares a considerable portion of the agricultural produce. In the past few years, commodity rice that the peasants in Jiangxi could market on their own amounted to only 7 billion jin or so each year, while the portion purchased by state orders alone amounted to 6 billion to 7 billion jin. As purchase by state orders and quotas accounts for too big a portion, about 30 percent of the peasant households can hardly fulfill the quotas. Meanwhile, the amount of materials for agricultural use supplied by the state at lower prices is very limited. The peasants are forced to buy materials for agricultural use at negotiated prices on the market. So they of course have many grievances.

—The prices of capital goods for agriculture have soared and thus widened the "price scissors." The negotiated price of urea rose up to 760 yuan per ton in the first half of last year, but it has generally soared to over 1,100 Yuan or even to 1,300 yuan per ton. According to peasants in eastern Jiangxi, an input of 50 kg of urea which costs about 60 yuan generally can result in an increase of 150 jin in rice output, provided that there is

no natural disaster, and this increase in output will in its turn bring a profit of some 60 yuan. So the input is roughly equal to the output—such a case is just unacceptable to the peasants.

—Different departments are scrambling for profits while the peasants are suffering losses. Nowadays all government departments emphasize the importance of "economic returns." But it is by incurring losses on the peasants that many of these departments have managed to raise their "economic returns." As pointed out by many peasants, these departments always refuse to purchase agricultural products whenever there is a surplus and the marketing of these products does not promise much profit. This being the case, peasants will find it very difficult to sell their products. However, as soon as the products are in short supply, government departments will set rules to limit the scale of self-management for the peasants, practicing in disguised form the system of unified and fixed purchase. They distribute among peasants or even among departments at lower levels quota cards for purchase of grain, hogs, tobacco, and whatever products are profitable, demanding that they sell these goods to the government to fulfill the quotas. On the eve of the last Spring Festival, a peasant who was eager to sell 20 hogs outside his county failed to get approval from the government department concerned which turned down his application for the sale of hogs under the pretext that the county's own hog purchase quota had not been fulfilled. The peasant was just furious at the decision. He said: They mind only their own interests but turn a blind eye to the losses on my part due to the high costs for raising these 20 hogs and the low selling price. What kind of policy is this?

—Cadres are inferior and can render little service. Grass-roots cadres in rural areas are unfamiliar with commodity production and, for a certain period, they will not be able to offer any useful ideas before they know how to run commodity production and adapt to new circumstances. The peasants are eager to get rich by promoting commodity production. But they lack funds, economic ties, market information, and technology. Cadres can extend little help and service in this regard, which has aroused many complaints among the peasants.

#### Let us also Listen to Cadres Who Have Their Problems As Well [subhead]

—The peasants have some misunderstanding with cadres, and it is hard for the latter to give an explanation. Rural cadres pointed out that all purchase orders and quotas are assigned to them by their superiors. They said: We have no power to change the orders and quotas and can do nothing but to reassign them to the peasants, even though we are well aware that some of these practices are unfair to the peasants. The numerous restrictions are also something created by departments at the upper levels. We do not think it is right to widen the "price scissors" in exchange of industrial products for agricultural products. But we can do nothing to stop it.

As for bureaucratism and the practice of seeking personal interests through official power, only a small number of cadres have been alleged to be involved in such cases. The peasants do not know how the system works and always lay the blame on rural cadres. Furthermore, it is we who are to collect taxes and fees, and sometimes we have to implement administrative measures even if we do not like to handle things that way. We just cannot explain ourselves clearly.

—It is hard to improve the quality of rural cadres since they always have too much work to do. Many town and township leading comrades have agreed that under the present system, "a town or township organ is subject to administration by many superior departments." Rural cadres must take care of everything, ranging from procurement of grain to purchase of hogs, collection of taxes and various fees, hunting of dogs, extermination of rats, implementation of family planning, and so on. Sometimes they even have to collect insurance premiums for insurance companies. Departments at the higher levels keep on assigning tasks to the lower levels. How can a system like this work? They said: Every year, rural cadres have to devote a month to tree planting, a month to water conservation work, and 2 months to procurement of grain. They also have to purchase hogs from around their counties every month and mediate in disputes from time to time. All this routine work is enough to keep them busy the whole year round. Such being the case, how can they spare time for studying and conducting surveys; how can the quality of rural cadres be improved, and how can they render assistance and service to peasants? Sneering at themselves, some town and township leading comrades described their careers as "hard-working routinism and busy bureaucratism."

—There are too many documents to handle, too many meetings to attend, and too many inspections to deal with. Nowadays, departments at the upper levels issue many documents, hold many meetings, and conduct many inspections. If every department holds a meeting, a town or township will have to send people to attend more than a dozen meetings. If every department sends an inspection group to visit a town or township, then it will have to entertain more than a dozen inspection groups. What is more, town and township leading comrades have to attend all these meetings and to accompany inspection groups during the inspections. A town party committee secretary said his town entertained visitors from departments at the higher levels almost every day last year. Even in the slack month they could spare only 2 days for rest without having to entertain visitors. But during the busiest day they entertained some 200 visitors. Under such circumstances, he asked, how can we spare time to render service to the peasants?

—It is still harder to deal with the peasants as they are now better informed. Many county and township leading comrades said: As some peasants travel across the country to do business, they are now better informed, being familiar with both the policies of the central authorities

and specific measures adopted by other provinces in invigorating the economy. So they often challenge local cadres by asking them why they have imposed so many restrictions and why they have resumed the fixed purchase system. Town and township cadres do not know how to answer these questions. Obviously they can no longer stall the peasants with vague answers like they did before. Since the central and local levels practice different policies and no clear explanation has been given, rural cadres find themselves in a dilemma. Furthermore, they themselves do not agree with the old practices so how can one expect them to explain the policies to the peasants properly?

The Key To Solving the Problem Lies in Application of the Law of Value in Dealing With the Peasants [subhead]

Having learned of the peasants' grievances and the grass-roots cadres' complaints, we can see the crux of the antagonism between them more clearly. How should the problem be resolved?

In the development of the commodity economy, governments and departments at all levels are facing the need to speed up the switchover from the old structure to the new one. A whole system of administrative experience and working procedures took shape under the conditions of the product economy in the past. Now that the peasants have become commodity producers, the old system no longer works and we can no longer urge the peasants to grow grain and to turn over their harvest to the state by simply assigning quotas alone. What the peasants expect is better coordination and service which will enable them to develop the commodity economy.

Township governments, government departments, and the peasants need mutual understanding badly. Various conflicts and contradictions will inevitably emerge during the process of switching over from the old structure to the new one. For example, the grass-roots administrative structure may not adapt to the new structure, and the quality of cadres may not be in keeping with the needs. All these problems have yet to be resolved step by step in the wake of the further in-depth development of reform. We must make sure that all sectors communicate well and thus create a suitable social psychological environment for the in-depth development of reform.

In guiding agricultural production and dealing with the peasants, we must follow the law of value. This concept as a part of the guiding ideology for rural work has now been gradually accepted, and useful attempts have been made to provide assistance in terms of funds and technology; to reform the agricultural and sideline product purchasing and marketing structure; to straighten out price relations, and so on. Of course, we still have a long way to go, and we still have to actively blaze new trails, step up the reform, make the peasants real independent commodity dealers who enjoy decisionmaking power in production and exchange, make great efforts to readjust

the old unreasonable structure for distribution of interests between urban and rural areas, and thus give rural areas more opportunities for development. If we do all these tasks and make a breakthrough in doing them, we will have in hand, the key to solving the contradictions between the cadres and the masses in rural areas.

#### State Statistics Show Movement to Cities

OW1608141288 Beijing XINHUA in English 0610  
GMT 16 Aug 88

[Text] Beijing, August 15 (XINHUA)—City life is attracting increasing numbers of China's vast rural population.

Over the past five years 30.58 million rural residents have moved to cities and towns, a survey by the State Statistical Bureau shows.

The sample survey, which involved one percent of the country's one billion population, showed that the number making the move last year was double the number of 1982.

Meanwhile, a total of 1.53 million people have resettled in coastal areas or industrial and mining areas from interior provinces and regions.

#### Farm Material Prices Increase by 17.2 Percent

OW1208225588 Beijing XINHUA in English  
0749 GMT 12 Aug 88

[Text] Beijing, August 12 (XINHUA)—Market prices for farm materials jumped 17.2 percent in China during the first half of this year, a State Statistics Bureau survey revealed.

The proportion of chemical fertilizer, plastic film, pesticides and diesel fuel sold at state-set prices in the total sales of these commodities decreased 10 percent compared with the same period last year.

This situation has been blamed on many departments controlling distribution being guilty of only wanting to earn profits and not looking out for developing the country's agricultural sector.

Some departments are even taking advantage of the country's current imperfect market pricing system to illegally earn a lot of money by selling farm materials at higher prices, the survey showed.

This year's price hikes on farm materials nationwide might greatly affect autumn crop production, the survey warned.



**New Hybrid Rice Strain Developed**

OW1308130688 Beijing XINHUA in English  
0634 GMT 13 Aug 88

[Text] Beijing, August 13 (XINHUA)—A new type of hybrid rice seed was given approval by 24 experts at the end of July.

The new seed, discovered by 25-year-old Deng Huafeng, is regarded as the third milestone in the history of hybrid rice cultivation in China, today's "CHINA YOUTH NEWS" reported.

Yuan Longping, known as the "father of hybrid rice", said, "The discovery indicates that China still leads in the world in the field of hybrid rice research."

**NONGMIN RIBAO Editorial on Good Harvests**

HK1508142088 Beijing NONGMIN RIBAO  
in Chinese 8 Aug 88 p 1

[Editorial: "Work Vigorously To Strive for a Bumper Autumn Grain Harvest"]

[Text] Grain production this summer was basically equal to last summer's output, and the hope for the fulfillment of the annual grain production target is now placed on the autumn grain production. It is an arduous task for us to strive for a better grain harvest this autumn.

In the past few months, major natural disasters occurred in many localities. Large areas of farm land in Heilongjiang, a major province for producing marketable grain, were seriously waterlogged, and this reduced the sowing area of grain crops in spring and delayed the sowing season. Then in June and July, Hubei, Henan, Anhui, Jiangsu, and Zhejiang, all major grain producing provinces, suffered from high temperature and drought, so more than 100 million mu of crops may reduce their yields or even completely fail. There will not be good weather for grain crops in autumn either, and grain production will also have to face other unfavorable factors, such as the rise in the price of some production materials and the unreasonable price for grain. All this will add difficulties to our efforts to reap good harvests, and will pose a stern test for our rural cadres.

When facing the serious difficulties, most of our comrades are able to boost their spirits, brave difficulties, pick up their courage, and lead the masses to fight against the natural disasters and try to gain the initiative in grain production. But a small number of comrades have no confidence, fear difficulties, feel helpless and depressed, and even rail at fate and are full of grievances. Such mentality should be changed; otherwise, it will be an unfavorable influence on the present agricultural production.

When facing natural disasters, including serious disasters, if we take action to "fight" against them, the results will be quite different from if we do not fight. If we take

action to fight against the natural disasters, we not only can reduce and make up for the losses to various degrees, but can also strive for good harvests. If we resign ourselves to the mercy of nature and do nothing to cope with natural disasters, our losses may increase. Our attitude toward natural disasters is always the same, that is, to fight against them so as to reduce the losses to the minimum and to strive for every possibility of increasing production. We should not let off even the slightest beam of hope and should double our efforts to realize the hope. If all localities in our country cherish this attitude to cope with the difficulties, our losses will be greatly reduced.

To strive for good grain harvests, some comrades only try to ask the state to allocate more funds and materials to them, and they keep complaining about the unreasonable prices which affect the enthusiasm of the peasants. Of course, the state should allocate necessary funds and materials and should gradually rationalize the grain price. However, we cannot just wait and see, the farming season requires us to take urgent action. All able cadres should rely on the masses and make full use of their existing advantages to strive for good results in fighting against the bad weather conditions and reaping bumper harvests!

We have accumulated rich useful experience in relying on our own strength to fight against natural disasters and strive for good harvests. For example, the losses in the crops of early autumn can be made up for by increasing the production of the crops harvested in late autumn; and the losses in paddy fields can be made up for by increasing production on dry fields. Localities with conditions can actively make use of such experience.

In order to fight against natural disasters and strive for bumper harvests, the rural leaders not only should directly organize peasants to fight against the drought, drain waterlogged land, and strengthen field management; more importantly, they should arouse the peasants' initiative. To achieve this purpose, they should do a lot of things. For example, the prices of fertilizer, pesticide, and film for agricultural use rose seriously, giving rise to strong resentment among the peasants and affecting agricultural production. Can we take resolute action to deal blows at the speculators who stirred up such trouble? The peasants now still do not dare to make substantial investment in improving their farm land and doubt whether such investment will pay. Can we formulate some policies to improve the investment environment? Now the peasants are bearing heavy burdens. The average levies imposed on each member of the agricultural population reach as high as 40 to 60 yuan. Can we take measures to substantially cut down on such burdens on the peasants from the upper level to the lower level? In addition, can we effectively check the irregular practice of some grain stations which forced down the grain purchase price and withhold the money that should be paid to the peasants. The state has laid down explicit regulations on these issues and the peasants also strongly

demand the settlement of these issues. To properly solve these issues, we do not need money and materials. What matters is whether we are willing to make efforts to deal with such issues.

Agriculture is the foundation of the national economy, and grain production is the foundation of the foundation. This is a point known to all people and need not be repeated here. It should be particularly pointed out that the reforms in our country will soon enter the critical stage of the price and wage reform. Sufficient grain supply is a basic guarantee for the smooth development of such reforms. If we can reap good grain harvests this year, then we will make important contributions to the reforms at the crucial juncture.

August and September mark a key period for the growth of autumn crops, and are also a season when natural disasters occur frequently. The party and the people now place high hopes on the rural cadres and expect that they will boost their spirits, work in a down-to-earth manner, and lead the masses to overcome difficulties and strive for good harvests.

**More Protection for Coastal Areas Urged**  
*OW1508202988 Beijing XINHUA in English*  
1354 GMT 15 Aug 88

[Text] Beijing, August 15 (XINHUA)—The Chinese Government is taking more steps to protect the coastal areas while making use of available resources as industrialization and rapid population growth along China's coast are creating environmental and other problems.

During the past decade, marine industry like shipping, port construction, ship-building, fisheries and salt production have greatly expanded, while some new industries, like offshore oil, tourism, seafood breeding, and ocean chemicals, are also springing up.

Many industrial enterprises like iron and steel complexes, nuclear power stations and petro-chemical works have also selected construction sites along the coast.

Yan Hongmo, director of the state Oceanography Bureau said, The Chinese Government is going to work out a plan to promote marine industry and economic growth along the coast, but this new program will emphasize the importance of protecting the environment while also making the best use of natural resources.

A team of 15,000 people organized by the State Council has just finished an overall survey of 350,000 square kilometers along China's coast, and is currently writing a detailed report to be submitted to the state.

In the past, China spent a lot of time and money reclaiming land along the coast. So far 660,000 hectares have been reclaimed, but scientists claim because of poor planning in development and the use of natural resources, part of these efforts have led to environmental and ecological damage.

**Commentator Previews 'Yellow River Complex'**  
*HK1208045688 Beijing CHINA DAILY*  
in English 12 Aug 88 p 4

[By CHINA DAILY commentator: "Yellow River Complex"]

[Text] Nothing extraordinary, technically—a six-part TV documentary with most scenes taken from other films. But it is extraordinary for such eye-opening perspectives that it will have a re-run on the national television network within two months.

With its second run starting next Monday, "He Shang" is a critical review of the old culture evolved around the Yellow River Plain and its continuing impact on Chinese history.

All the montage is made to accentuate five points: First, Chinese must stop dwelling on their past glories to face squarely the serious drawbacks in their country's socio-economic development; second, they must ask themselves what has made their admirable ancient civilization appear under-developed now; third, China's self-contained culture should be held responsible for its decline in dynamism; fourth, Chinese must try sincerely to assimilate the strong points of other nations; and fifth, to re-create their culture.

This message is not new for Chinese intellectuals but what is unprecedented is the fact that millions of ordinary people have been led to think about such crucial issues by a most effective modern instrument of mass communication.

They are not only thinking, but a debate is also under way. Many things are held up for re-examination in the TV series, from symbols of Chinese cultural tradition to potential dangers lurking ahead for the nation. Some welcome it as a radical declaration of what they have been feeling. Others, apparently offended, accuse it of nihilism, offering nothing but a few hours of futile grumbling rendered in "elitist" language, without answering practical questions.

But the question that really matters is not whether Chinese culture used to be great, which nobody can deny. Nor is it whether this old culture is strong enough to support the nation to modernize and sail forward to the 21st century, about which nobody seems really sure.

At issue is whether the Chinese, having founding their culture perhaps a bit too old today, will be able to develop a new one in its place. Unfortunately, this

question is almost unanswerable for culture is something hard to discard, re-cast or transplant. It is even more difficult to change than political power, so there is no ready solution.

But the debate is highly significant for it has two levels of meaning. On the one hand, those who challenge the Chinese heritage and those who defend it with equal vehemence do so because they all love it, so much so that they identify it as one of their main concerns, though expressed in different ways.

On the other hand, culture is a historical phenomenon, created by generations of people, and cannot be cut off from its past. There is no way to have a new culture unless the old culture is renewed, or reformed to meet the new times. And this cannot be done unless everybody chips in. The nationwide debate about the TV programme is in itself an important step in the reforms in the cultural fields.

Thanks to reforms and the open policy, a cultural debate has actually been going on for more than two years among Chinese scholars. Now with the public joining the academics in the debate, China's cultural reform is raised to a new level.

This debate reminds people of how Chinese culture first became great about two millenniums ago. That was the time when many schools of thought contended and debate was a normal way of life—a time that eventually produced such great thinkers as Confucius, Lao-tzu, Han Fei, Mencius, Hsun-tzu and Mo-tzu. It seems there is no better way to revive a culture except through reviving the tradition of free debate.

Despite the fact that no quick solution is expected to the country's cultural debate, one does not have to worry too much, really. As long as there is free debate, there will always be flashes of inspiration and new ideas.

**QIUSHI No 4 Table of Contents Published**  
*HK1608090488 Beijing RENMIN RIBAO in Chinese*  
14 Aug 88 p 6

[Table of Contents for QIUSHI No 4, 1988]

[Text] Article by Qian Qichen: "Substituting Dialogue for Confrontation Is the Demand of the Times"

Article by He Kang: "Several Issues in the Current Rural Economic Development"

Article by Lin Ling: "From the Contract System to the Share System—Transformation of the Enterprise Operational Form and the Property Organizational Form"

Article by QIUSHI reporters Liu Wei and Yu Jianzhang: "The Emergence of Middle-Aged and Young Academic Associations—an Interview With Jin Guantao"

Article by Zhang Shigu: "Reflections in the Great Reform Tides—Marx's Socialist Theory and Contemporary Socialist Practice"

Article by QIUSHI reporters Li Mingsan and Yao Meiping: "Respect History, Break Away From Dogma—an Interview With Li Shu"]

Article by Feng Zhijun and Zhang Guansheng: "Some Policy Considerations on the Development Strategy for Western China"

Article by Li Zheng: "Thoughts on Reading the 'Beijing People'"

Article by Wu Enyuan: "The Soviet Union Reappraises History To Promote Reform"

Article by Zheng Hongqing: "Some Circumstances in Contemporary Scientific and Technological Development"

Article by Zhang Shouying: "The Power of Culture as Reflected in the Teaching Material"

Article by Zhang Yuwen: "When Then Is a Hero a Human Being?"

Article by Li Dengwang: "Straightforward Criticism Can Make a Nation Prosper While Toadying Approval Can Subjugate a Nation"

Article by Gua Tian: "Stream Water"

#### **Correction to Report on Beidaihe Rumors**

The following correction pertains to the item subheaded "More on Beidaihe Rumors" published in the 15 August China DAILY REPORT, pages 20, 21:

Page 21, column one, first full paragraph, sentence four should read: We should also work out overall, systematic plans to link prices to the wage system... (substituting "prices" for "wages" and "system" for "reform").



### East Region

#### Fujian Foreign Investment Opportunities Up

OW1508140188 Beijing XINHUA in English  
1346 GMT 15 Aug 88

[Text] Fuzhou, August 15 (XINHUA)—So far this year, coastal Fujian Province has made 114 projects available to foreign investors.

These projects involve food, seafood processing, textiles and clothing, toys, pharmaceuticals, electronics, machinery, ship-building, chemical and building materials industries.

During the past five years Fujian has used 330 million U.S. dollars to import technology and equipment to improve 700 existing enterprises.

As a result, these upgraded enterprises earned nearly 100 million U.S. dollars last year, or 3.2 times the 1986 figure.

#### Seeks Taiwan Investment

OW1508190188 Beijing XINHUA in English  
1424 GMT 15 Aug 88

[Text] Fuzhou, August 15 (XINHUA)—The provincial government has just granted Fujian's Dongshan County, which is surrounded by water, new policies designed to encourage more investment from Taiwan.

In addition to the policies now offered in the country's special economic zones, this county also enjoys four tax-free years for projects or firms funded with investment from Taiwan.

The county is now allowed to keep all the income earned from trade with Taiwan for its own use and is also allowed to set up coastal markets to do business with the island.

According to a provincial official, the new policies should make the county's total industrial and agricultural output value increase by 200 percent, foreign currency income go up by 500 percent and per capita income jump 200 percent during the next five years.

Other privileges include export allowances, the power to issue shares and bonds, and the right to import improved seeds, pesticides, chemical fertilizer and fodder.

Since Dongshan was designated a county open to the outside world in 1985, new docks and waterworks have been built, post and communications facilities expanded, routes to Hong Kong and customs, commodity inspection and port offices opened.

#### Xue Ju Addresses Zhejiang CPC Meeting 13 Aug

OW1608023988 Hangzhou Zhejiang Provincial  
Service in Mandarin 0900 GMT 13 Aug 88

[Text] The Zhejiang Provincial CPC Committee this afternoon convened a general meeting of officials with party membership in the provincial departments, commissions, offices, and bureaus. Deputy secretary of the provincial party committee Chen Fawen presided over meeting.

Secretary Xue Ju delivered a report on preparations for elections of deputies to the eighth provincial party congress. Then, he talked about how to strengthen ideological and political work while fighting natural disasters.

He said: This year, our province has suffered successive natural disasters, which have done great damage to the property of the state and the people. Rarely has the province suffered so much loss from natural disasters since the Republic's founding.

Party and CYL members, cadres, people, PLA units, and the armed police have worked with one heart and one mind in fighting these disasters. Many heroic and moving deeds have emerged. However, a few passive elements have also cropped up. Therefore, it is necessary for party committees at every level to further strengthen ideological and political work and play an exemplary vanguard role for communism. Efforts must also be made to commend, in a timely fashion, advanced people who have distinguished themselves in fighting disasters, and publicize their advanced deeds in order to inspire the people to fight in unity. It is necessary to bring into play the spirit of self-reliance and hard work, and fight the natural disasters bravely and tenaciously. Party committees at every level and cadres with party membership should always side with the people, fight in the forefront, and work to perform real services for the people. In face of the disasters, party committees at every level should continue to educate the people in the spirit of plain living and hard work, in honestly performing their official duties, and in increasing production and practicing economy. We should resolutely oppose extravagance and waste and avoid formalism. To safeguard public order, we should arrest promptly those people who take advantage of disasters to loot or commit other crimes. It is necessary to punish severely those who take the opportunity to raise commodity prices and disrupt the market, and ask the people and public opinion to serve as supervisor. Those party members and cadres who failed to stand the test of the disasters will be dealt with severely.

Deputy Secretary and Governor Shen Zulun also spoke at the meeting. He asked party members and cadres to stand the test at the critical moment. It is especially necessary for the cadres in the provincial organs to be of one heart and one mind with the people and struggle persistently to tide over difficulties.

### Central-South Region

**Guangdong Aided by Hong Kong, Macao Groups**  
*OW1308113288 Beijing XINHUA Domestic Service  
in Chinese 1133 GMT 5 Aug 88*

[Text] Guangzhou, 5 Aug (XINHUA)—Initiated by the Guangdong Association of Individual Laborers and the Hong Kong Federation of Associations of Vendors and Merchants in Hong Kong, Kowloon, and the New Territories, a meeting to promote economic cooperation between Guangdong's private enterprises and vendors and merchants in Hong Kong and Macao was held recently in Zhuhai City to help Guangdong Province develop private enterprises which engage in compensation trade or processing with imported materials. Addressing the meeting, Liu Weiming, vice governor of Guangdong, said that the provincial government welcomes compatriots in Hong Kong, Macao, and Taiwan, as well as Overseas Chinese to come to Guangdong and develop economic cooperation with the province's private enterprises by establishing joint ventures, cooperative enterprises, and enterprises engaged in compensation trade or processing with imported materials.

The private economy in the Zhu Jiang Delta area has been equipped with fairly sufficient funds. Following the state's gradual relaxation of the policy on private economy, a group of private enterprises with fixed assets and working funds exceeding 1 million yuan and with more than 100 hired workers each has emerged. According to Guangdong Industry and Commerce Administration statistics, there are more than 15,000 registered private enterprises with more than 8 hired workers each throughout the province, employing over 200,000 people. Most of these private enterprises operate on a small scale, but their economic operations are flexible and their economic results are fairly good because they maintain close ties with Hong Kong, Macao, and Overseas Chinese, and they have the conditions needed for developing an export-oriented economy. Small and medium-sized enterprises in Hong Kong, Macao, and those run by Overseas Chinese also like to enter into economic cooperation with private enterprises on the mainland. Vice Governor Liu Weiming pointed out at the meeting that as long as private enterprises abide by the laws and pay tax according to regulations, the local governments will create an environment and external conditions for them to enter into equal competition with state-run enterprises and collective enterprises.

Assisted by the Hong Kong Federation of Associations of Vendors and Merchants in Hong Kong, Kowloon, and the New Territories, He Bing, member of the Guangzhou City CPPCC Committee and manager of Hezhiji Shoe Store, recently cooperated with a trading company in Hong Kong in establishing the Fuhua Clothes Processing Plant for making cerements for export. In the initial state the plant plans to make \$HK1.5 million worth of products for export. Speaking at the meeting, He Bing noted that the processing plant had received special treatment

in registration, application for business license, opening a bank account, and in declaring export permits to the customs office. It only took the plant 20 days from preparation to going into operation. The high work efficiency of the relevant department in Guangzhou in helping private enterprises has won the praise of merchants from Hong Kong. According to He Bing's briefing, the relevant department also allowed the plant to retain 50 percent of its foreign exchange earnings obtained from processing fees, which it can use to import machines and equipment needed for production, to import raw materials, and to pay for the expenses of sending personnel overseas for work inspection tours.

**Guangxi Financial Situation Revealed at Meeting**  
*HK1608052788 Nanning Guangxi Regional Service  
in Mandarin 1030 GMT 15 Aug 88*

[Excerpts] The regional financial work conference yesterday conveyed the spirit of the national financial work conference and discussed how to implement it, reviewed the regional financial work in the 1st half of this year and worked out plans for work in the 2d half of this year. Also, it called on the region's financial departments to deepen the reforms, make the economy stable and try every conceivable way to increase revenue and reduce expenditure, successfully balance the region's 1988 fiscal year budget, and strive for financial surplus.

The meeting made public the region's economic situation and the implementation of the fiscal year budget. As the economy was developing in the first 6 months of this year, the region's revenue continued upward following a big increase in its budgetary income in the previous 3 years. The region's financial revenue by the end of June amounted to 1.537 billion yuan, accounting for 50.5 percent of the fiscal year budget. Calculated on a comparable basis, there was an increase of 16.5 percent over the corresponding period of the previous year. Meanwhile, the region's budgetary expenditure came to 2.232 billion yuan, constituting 57.3 percent of the fiscal budget and representing an increase of 29.2 percent over the same period last year. The figure shows there was an overexpenditure of more than 694 million yuan in the 1st half of this year. [passage omitted]

The meeting pointed out: According to the real state of affairs in implementing the region's budget in the 1st half of this year, the region is faced with some problems which cannot afford to ignore in its financial work. These problems are: 1) The main source of revenue is the tax delivered by factories. The sharp increase in the revenue in the 1st half of this year did not result from economic returns of enterprises but from expansion of the scale of the economy. 2) The factor of price hikes allotted a goodly portion to the increased revenue. 3) Expenditures were out of control in the 1st half of the year, thus it is more important for us to increase revenue and reduce expenditure in the 2d half of the year. 4) There is no sign showing any improvement in economic returns of enterprises. 5) The severe natural adversities

this year will adversely affect the financial and economic work in the 2d half of this year and even next year. 6) Some cities and counties always think about obtaining something from the region's budget, and this problem is very serious. [passage omitted]

Regional people's government Vice Chairman Cheng Kejie attended and addressed the meeting yesterday.

**Guangxi, Guizhou Strengthen Economic Cooperation**  
HK1508094188 Nanning Guangxi Regional Service  
in Mandarin 1030 GMT 14 Aug 88

[Text] Guangxi Autonomous Region and Guizhou Province recently signed a letter of intent on economic cooperation in Guiyang. The regional people's government vice chairman, Cheng Kejie, and the Guizhou provincial people's government vice governor, Liu Yulin, held energetic talks on promoting technical cooperation in the development of energy, coal, power, and communications. They agreed on the following points: 1) Joint investment will be made in exploiting coal mines in Libo County, Qiannan Bouyei-Miao Autonomous Prefecture, Guizhou, to meet Guangxi's ever increasing needs for coal. To this end, Guangxi will train 40 middle school and vocational school students and 30 skilled workers for Libo County between now and next autumn, and the (Hongmao) Mining Bureau will offer technical assistance in exploiting these coal mines. Meanwhile, for Guangxi's convenience, Guizhou Province's Libo County will lose no time in building the shafts. 2) Guangxi will lend a helping hand in shipping coal from Libo County by rail. 3) Guangxi's Hechi Prefecture and Guizhou's Qiannan Bouyei-Miao Autonomous Prefecture will exploit power resources together. The first step will be to build the (Daqukong) Hydropower Station in Libo County and then build a thermal power station with an installed capacity of 100,000-200,000 kw using coal exploited by both sides as fuels. Guangxi's Hechi Prefecture and the (Duoyun) Electricity Supply Station in Qiannan Bouyei-Miao Autonomous Prefecture will jointly invest in building a power station with an installed capacity of 400,000 kw. After completion of the project, Guizhou Province will transfer at least 150,000-200,000 kw of power to Hechi Prefecture. 4) Both sides will cooperate in building two highways linking Libo County in Guizhou with Nandan in Guangxi. 5) Both sides have agreed that products of the Guizhou Phosphorus Mine, previously loaded at the Nandan Railway Station, will be loaded at the (Hongmao) Mining Bureau's (Pingzhai) Railway Station to speed up shipment of products. 6) To promote economic development in both Qiannan and Hechi both sides have agreed that a joint economic development coordination group be set up.

**Hainan Leader Discusses Upcoming Conferences**  
HK1308062288 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1255 GMT 11 Aug 88

[Interview with Hainan Provincial CPC Work Committee Secretary Xu Shijie by reporters He Da (0149 6671) and Zhao Shengyu (6392 0524 3768) on the morning of 10 August: "Xu Shijie Views Hainan's 'Three Meetings'"—place not given]

[Text] Haikou, 10 Aug (ZHONGGUO XINWEN SHE)—[Reporter] The dates for convening the Hainan Provincial People's Representatives Conference and CPPCC session have been announced publicly. When will the party representatives conference be convened?

[Xu] Unless there is some special factor, the provincial party representatives conference will be held in early September, following the CPPCC session and the people's representatives conference.

[Reporter] You said in Hong Kong in May that the Hainan people's representatives conference would be convened in July. Outside, there have been various speculations over the postponement. Please tell us why the meeting was postponed.

[Xu] This is mainly a question of our work arrangements. Since Hainan Province has been established, there are many things to attend to; it is necessary to make arrangements for all sectors and levels regarding when to grasp which item of work. For instance, some cadres have work to do elsewhere and are not present, while others have gone to meetings in Beijing. For such an important meeting as the people's representatives conference, apart from undertaking all the preparations, we must as far as possible ensure that all the principal cadres will be able to attend. In fact, the postponement is not a long one.

[Reporter] One of the main external speculations regarding the postponement of the conference is that "it is hard to make a final decision regarding personnel assignments in Hainan." An article by a certain news agency in Hong Kong said that all Hainanese cadres have been infected with "the disease of being consigned to deputy posts." Is this really the case?

[Xu] No. As I said just now, the slight postponement of the conference is a question of work arrangements. The expression used by that Hong Kong press agency does not accord with the facts. The majority of people nominated for principal leading posts in the provincial party committee, Discipline Inspection Commission, People's Congress, government, and CPPCC are locals; naturally people from other provinces who have been working in Hainan for a long time are included. People sent to Hainan from outside following the establishment of the province, including the principal leaders of the provincial Higher People's Court and Procuratorate, account for only 32 percent of the nominations. As for the departmental level, of the 27 department heads in Hainan, 10—only 37 percent—were transferred to Hainan from other provinces following the establishment of the province; of 111 deputy department directors, 15—only 13.5 percent—were transferred from other provinces following the establishment of the province. How can it be said that all Hainanese cadres have been infected with "the disease of being consigned to deputy posts?" I sincerely hope that media reports will respect the facts and refrain from subjective conjecture and arbitrary deductions.



[Reporter] Why will a People's Representatives Conference be convened instead of a People's Congress?

[Xu] First of all, Hainan has never held an all-island People's Congress. Now it has changed from being an administrative district subordinate to Guangdong into a province, there is a question of organizing its leading bodies, and a question of establishing direct links between the various departments and the central departments. At the same time, since Hainan will be run as a large special economic zone, it will require a complete set of corresponding systems. Hainan is also a national pilot project province in political and economic structural reforms; the tasks are heavy and we have no ready-made examples to refer to, and we have to feel our way forward in many respects. In addition, due to the central authorities' support, many cadres have been sent here to assist in the work, and all sectors have to undergo a process of gaining understanding, becoming familiar, and adapting. Hence, the NPC Standing Committee and Legal Commission decided after many studies that Hainan Province should convene a people's representatives conference. This is essential and practical, being based on Hainan realities.

[Reporter] According to our understanding, this People's Representatives Conference will hold elections in which the number of candidates equals the number of posts. Most provinces have now instituted the system by which the number of candidates exceeds the number of posts. Since Hainan is a national pilot project in political and economic structural reform, why is it not going to adopt this method?

[Xu] It should be said that the system by which the number of candidates exceeds the number of posts is a step forward from the system by which the numbers are equal. For the reasons I mentioned just now, and especially because the organs are being newly established, the personnel come from all parts of the country and still lack mutual understanding, and the people will have to go through a process of getting to know them, the NPC Standing Committee has decided that we should have the number of candidates equal the number of posts in this election, and we will carry out this resolution. Whichever of the two systems is applied, the key lies in holding full discussions and democratic consultations. Holding secret ballots on such a basis can express the will of the electors just as well. However, the provincial party representatives conference, which will open soon, will hold elections in which the number of candidates exceeds the number of posts.

[Reporter] Will the media from Hong Kong, Macao, Taiwan, and foreign countries be invited to the "three conferences?"

[Xu] Being restricted by Hainan's existing economic conditions, we do not plan to invite the press from Hong Kong, Macao, Taiwan, and foreign countries to Hainan.

**Hainan Leader Speaks at Public Security Meeting**  
*HK1608023188 Haikou Hainan Provincial Service  
in Mandarin 1000 GMT 14 Aug 88*

[Text] A 5-day provincial conference on public security work, which conveyed the spirit of the national meeting of heads of public security departments, discussed the public security situation and problems that our province is faced with, and also made arrangements for future work, concluded yesterday.

On 12 August, Xu Shijie, secretary of the provincial CPC Working Committee, delivered a speech at the meeting. He noted: The public security work in our province must meet the needs of bringing about a new order for the socialist commodity economy and creating a sound environment for building Hainan into a large special economic zone. Governments at various levels and leaders of the relevant departments should fully understand the importance of public security work, pay high attention to its role and create the necessary conditions for its smooth development. The contingent of public security officers must be strengthened and the quality of policy enhanced. Meanwhile, the contingent must be kept clean and away from unhealthy tendencies. The primary public security units must be reinforced and their initiative must be given full play. Rules and regulations governing public security work must be perfected and some joint pledges for maintaining public order should be worked out. Healthy trends in society should be encouraged. While cracking down on criminal activities, those who fight bravely against violations of law should be commended warmly and their deeds must be publicized widely so that a good social mood in which a healthy atmosphere prevails over an unhealthy one will be created.

Meanwhile, it has been learned that the provincial CPC Working Committee and the provincial people's government have decided to set up a provincial leading group for judicial work in an effort to strengthen leadership over it and seek the unity of all judicial organs in thinking and action. The group will be led by (Wei Zefang) and his assistant (Xing Yi).

**North Region**

**Symposium on Developing Hebei Export Economy**  
*SK1608043388 Shijiazhuang HEBEI RIBAO  
in Chinese 29 Jul 88 p 1*

[Excerpts] The provincial government's symposium on accelerating the development of export-oriented economy in the Qinhuangdao-Tangshan-Cangzhou-Bohai-Bay open economic zone ended in Qinhuangdao City's Beidaihe on 28 July.

During the symposium, the provincial planning and economic commission and the provincial economic research center reported the plan outlines for developing the Qinhuangdao-Tangshan-Cangzhou open economic

zone and the program for building the zone. Qinhuangdao, Tangshan, and Cangzhou Cities and Cangzhou Prefecture reported the development plan outlines and the programs for plan implementation. Together with specialists, leaders of the departments concerned under the central authorities, the State Council, and the provincial government held group meetings to discuss this issue, studied and appraised the outlines of the economic development plans made by the open economic zone and the cities and prefecture concerned; and exchanged opinions on the feasibility of some items and some specific problems cropping up during plan implementation. Those who successively expressed guidance opinions on how to accelerate the development of the open zone's export-oriented economy included Zhang Gensheng, vice chairman of the agricultural research center under the State Council; Yu Mingtao, member of the Central Advisory Commission; Zhang Pan, deputy general director of the economic and technological and social development research center under the State Council; Zhao Shixiu, chief of the planning section under the Ministry of Construction; Lu Sen, secretary general of Qinghua University; Guo Shuyan, the state scientific and technological commission; and Jiang Zhaozu, deputy manager of the China international engineering consultative company. This has laid a solid foundation for further perfecting and implementing the plan outline for developing the Qinhuangdao-Tangshan-Cangzhou open economic zone and the program for building the economic zone. [passage omitted]

Ye Liansong, vice provincial governor, made a speech at the symposium closing. He put forward nine opinions regarding strengthening leadership, attending to the implementation of open economic zone development plan, and ensuring a bigger stride for building the open zone within 2 years.

First, we should firmly attend to revising and perfecting the economic development plan outlines for the Qinhuangdao-Tangshan-Cangzhou open economic zone; the plans for developing and building Qinhuangdao, Tangshan, and Cangzhou Cities and Cangzhou Prefecture; sort out and systematize opinions and suggestions that have been set forth, according to their different categories; and proceed from reality to put the opinions and suggestions into the outlines of the development plans and construction programs.

Second, we should pay attention to developing the items covered in the open economic zone development plan in line with the early-stage item work procedures. The first step is to develop the items whose feasibility reports have been approved. The second step is to develop items which have adopted development proposal letters. The third step is to develop items whose development planning has been submitted for approval. The fourth step is to report as soon as possible, on capital construction and technological transformation items that are suited to state construction orientation and the province's development, and submit them to higher levels.

Third, we should attend to the construction of the economic and technological development zone. Persistently in line with the principle of having internal cooperation promote the import of technologies, capital, and skilled persons from abroad, Qinhuangdao City's economic and technological development zone, covering an area of 0.62 square meters, should develop enterprises with advanced technologies or with potential for creating foreign exchange through exports, pay particular attention to developing enterprises where both ends of production processing are put on the world market, and high-technology industries. The development zone should arrange 25 completed projects and on-going items by the end of this year and should arrange 40 items by the end of the Seventh 5-Year Plan period.

Fourth, the construction of the investment environment in the open zone should continuously be attended to. It is necessary to continuously accelerate the construction of such infrastructural facilities, such as water, electricity, road, harbor, and communications facilities; gradually improve communications facilities; and strive to set up the system of direct telephone and telegram communication services with foreign countries within 2 or 3 years. With respect to the construction of intangible conditions, we should pay attention to the following few tasks. The first is to improve work efficiency, simplify work procedures, and advocate the work method of "a station for the whole course." The second is to cultivate skilled persons, open various channels and forms to cultivate a group of foreign economic and trade cadres, and formulate preferential policies to attract outstanding skilled persons in other places. The third is to expand the contracts with outside world, set up show windows for the outside world, and establish information networks to serve economic construction. Qinhuangdao, Tangshan, and Cangzhou Cities have the decisionmaking power to sponsor international economic and technological trade fairs with a view to extensively keep contact with foreign businessmen. The fourth is to set up centers to reserve development items for future use.

Fifth, we should do a good job in using foreign capital. From now on, the open area should directly use foreign capital to accelerate the technological transformation among existing enterprises. Enterprises without sufficient funds are allowed to invite shareholders of workshops, equipment, and even land.

Sixth, we should vigorously develop town and township enterprises in the coastal areas. The 3 cities and 12 counties in the open area should support the development of town and township enterprises, particularly, the town and township enterprises with potential for creating foreign exchange through exports. Town and township enterprises should positively be guided to participate in international exchange and competition to ensure that the large number of town and township enterprises in the open area will gradually embark on the path of dominantly developing export-oriented economy.

Seventh, we should attend to the construction of the Wangtan group complex and Huanghua Port. The Wangtan group complex include the construction of railway lines, ports, powerplants, steelworks, and mines. Upon the completion of these items, conditions will be created for building the great Jidong steelworks. With the great Jidong steelworks to be built here and some processing items to be developed, the Wangtan group complex shall possibly become a city of appropriate scale. There are gratifying prospects for development.

Eighth, the province should vigorously develop the construction and development of the open zone. The departments under the provincial government should support and assist various fields so that the open zone will as soon as possible become the well-developed area ahead of others in our province through working industriously and solidly according to the central authorities' preferential policies and under the support of the provincial government.

Ninth, we should further emancipate our minds and transform our ideas. First of all, we should fully and flexibly use the current policies. Second, we should firmly foster the thinking of taking the development of productive forces as a criterion, and regard the development of productive forces as a starting point to judged all questions and as a fundamental standard for examining the work in all fields. In addition, cadres and the masses should further intensify their thinking of market, efficiency, competition, and creating foreign exchange; strive to accelerate the export-oriented economic development in the open zone.

The symposium was presided over by Governor Yue Qifeng. Li Wenshan, deputy secretary of the provincial party committee and chairman of the provincial CPPCC committee; and Yang Zejiang, chairman of the provincial Advisory Commission, made speeches at the symposium.

**Tianjin Port Improves Sanitation Conditions**  
*OW1508190488 Beijing XINHUA in English*  
1444 GMT 15 Aug 88

[Text] Tianjin, August 15 (XINHUA)—Tianjin port has spent more than five million yuan (1.35 million U.S. dollars) to improve sanitation in recent years.

With this amount the port has built its own garbage disposal plant, installed sanitation equipment, and improved dust collection and gas and radiation protection facilities.

The port also invested another 600,000 yuan (162,000 U.S. dollars) to build a plant to dispose of oily water and can retrieve 2,100 barrels of waste oil a year.

The central Patriotic Public Health Campaign Committee, the Ministry of Public Health and the Ministry of Communications have given the port special recognition after a joint inspection.

**Northeast Region**

**Heilongjiang Enterprises Hold Excess Funds**  
*SK1608070388 Harbin Heilongjiang Provincial*  
*Service in Mandarin 2100 GMT 13 Aug 88*

[Text] The cash stock of social institutions throughout the province is astonishing. According to statistics compiled by the provincial industrial and commercial bank after investigating among 2,200 enterprises, from January to the end of July this year, these enterprises possess more than 19 million yuan of cash. The cash stock of social institutions across the province is about 950 million yuan.

The investigation data compiled by the provincial industrial and commercial bank has revealed that there are three major reasons for the social institutions throughout the province to have a large cash stock, which are as follows:

1. To ensure funds spent on hosting banquets for guests and presenting gifts to them, these enterprises stored a large amount of cash. To expand its sales, a certain plant in Mudanjiang City spent 130,000 yuan on buying gifts, such as electronic organs, mahjong pieces, and high-class blankets.
2. Some managerial departments retained confiscated or forfeit funds. Since 1987 our province increased the volume of confiscated and forfeit funds. Some managerial departments retained these funds arbitrarily without handing them over to the state and putting them into the bank. They have even spent them on profit sharing or hosting receptions. The public security subbureau of a certain district in Jiamusi City accumulated 120,000 yuan of confiscated and forfeit funds within 8 months and it only put 46,000 yuan into the bank. The rest of the funds were kept for nonroutine expenses.
3. Funds raised by enterprises have caused a large increase in cash stock. Since the policy adopted this year by the state on curtailing credits and loans, some industrial and mining enterprises across the province adopted the measure of raising money for funds production. Their raised funds can not be put into the bank in a timely manner because those funds cannot be raised all at once since persons who offer funds are scattered everywhere and some enterprise are afraid of the loan withdrawals by the bank. According to the investigation data on the accumulated funds of 69 enterprises in Qiqihar City, per enterprise cash stock has surpassed that fixed by the state by more than 10,000 yuan.

The authoritative persons of the province's economic circles have contended that a large increase in the cash stock of social institutions presents an abnormal increase of social idle funds, will seriously affect the bank deposit increase of enterprises, will relatively reduce the sources



of bank credits and loans, and will weaken the enduring capability of bank funds and the supply capabilities of banks. Meanwhile, a large increase in the cash stock of social institutions will cause a strained situation in funds supply on the one hand and enable a large amount of funds to be idle in money-lockers on the other hand, as well as provide conditions for the crimes of unlawful persons, embezzlement, and robbery. Therefore, they suggest that the administration departments of industrial and commercial enterprises throughout the province should adopt measures as soon as possible to deal with the problem of an excessively large increase in the cash stock of enterprises.

**News Briefing on Heilongjiang Flooding Situation**  
*SK1608103588 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 15 Aug 88*

[Text] The flooding situation has been serious in the mainstream of Nen River. (Zhao Yu), a spokesman of the provincial government, told the reporters this morning that it is anticipated that the Nen Jiang flood peak will arrive in the city of Qiqihar on 18 August. The water level may reach 148.5 [words indistinct] and the river discharge will be 8,000 cubic meters per second. This flood peak is caused by the torrential rains and heavy rainstorms in Nen River and on the upper reaches of Heilong River in early August. At 0600 this morning, Governor Hou Jie and leading comrades of the provincial military district, the PLA units stationed in the province, and departments concerned already rushed to Qiqihar where the flooding situation is very tense. Over the past few days, Qiqihar has dispatched 320,000 people and 7,400 motor vehicles to participate in antiflood work, and 2,000 office cadres are organizing 12,000 people in flood discharge areas to move to other places and are doing rush repairs on dangerous dike sections.

(Zhao Yu) said: This year, our province's disasters mainly include spring waterloggings, hailstorms, floods, and drought in some areas. The frequent and heavy disasters afflicted a large area and the situation is terrifying. Particularly, the rapid development of floods and waterlogging and the great losses they cause have rarely been seen since the founding of the PRC. During the spring plowing period, the province's average rainfall was greater than during the same period of the previous years by 50 percent. The key grain producing areas, including Songhuajiang, Suihua, Qiqihar, and Jiamusi witnessed a long period of spring waterlogging. More than 45 million mu of farmland in the province was plagued by waterlogging. From mid-June to early July, more than 30 counties and cities throughout the province were hit by hailstorms and strong winds, causing great stretches of farmlands to reduce output or suffer crop failure. During mid- and late July, some cities and counties in Songhuajiang, Suihua, Harbin, and Heihe were successively hit by torrential rains or heavy rainstorms. The farmland of 47 counties and cities were flooded, traffic was held up, and water conservancy facilities were destroyed by floods. According to initial

statistics, in addition to the afflicted farmlands, 83 persons died during the disasters, 2,560 persons were injured, 175,000 houses collapsed, more than 22 million kg of grain of the state and the masses became mildewed or were washed away. Water conservancy facilities, highways, railways, and telecommunications lines were greatly damaged. At present, the province's antiflood work faces practical difficulties such as a shortage of funds and materials.

**Former Heilongjiang Secretary Dies on 11 Aug**  
*SK1608104088 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 15 Aug 88*

[Text] Comrade Wang Yilun, former secretary of the Heilongjiang Provincial CPC committee, chairman of the provincial CPPCC Committee, and a retired cadre, died of illness in Harbin at 1017 on 11 August 1988 at the age of 76.

**Jilin Meeting on Guidelines From Zhao Ziyang**  
*SK1608043688 Changchun Jilin Provincial Service in Mandarin 2100 GMT 15 Aug 88*

[Excerpt] The theoretical study group under the provincial party committee held a study meeting in Jilin City recently.

Attending the meeting were more than 50 people, including principal leading comrades of the provincial party committee Standing Committee, Advisory Commission, People's Congress, and government; responsible comrades of all cities, prefectures, and autonomous prefectures; and party-member responsible cadres of some departments and bureaus concerned.

The study meeting relayed the guidelines of speeches made by Comrades Zhao Ziyang and Qiao Shi during their inspection of our province.

Participants made an extensive exchange of views and experiences with respect to the province's current situation of discussing the standards for productive forces, defining a new mode of thinking, further opening up to the outside world to enliven the domestic economy, and building a new socialist commodity economic structure. The participants reached a consensus.

The study meeting set forth: Jilin should develop itself in the course of reform. This is a demand set forth by all people of the province as well as a call for realizing the four modernizations and rejuvenating China. With better conditions and foundation and with comparatively good opportunities, Jilin might experience development. And Jilin must develop. Otherwise, it will be difficult for Jilin to keep abreast of the situation. So, we must persist in reform and the standards for productive forces and further emancipate our minds. Under the objective conditions for the rapid development of the situation, we can no longer maintain the slow, dependable rhythm. We must change the situation in which the people are neither

in a hurry nor slow and show less initiative in making progress by making the pond of quiet water flow and even boil, mobilizing the people to use their brains, arousing the people's enthusiasm to welcome new opportunities, and creating a big trend for developing Jilin.

Through discussing the standards for productive forces, we understand that there are two major reasons for our failure to emancipate our minds. First, without high goals or great desires, the people are satisfied with the situation in Jilin. [Words indistinct] some people lack the sense of crisis and urgency. Second, the people are afraid of taking risks and assuming responsibility. Instead of seeking merits, the people only strive to avoid making mistakes. Besides the influence of ossified leftist ideas, the fundamental cause of this situation is that the mode of thinking is wrong. Therefore, how to cultivating a new mode of thinking in the practice of reform and opening up to the outside world becomes a key task for further emancipating our minds. We must reform the mode of thinking. First, we must change [words indistinct] habit of handling affairs according to rules in order to promote the transformation of the mode of thinking from the static state to a dynamic state. Second, we must change the long-term habit of working according to orders so as to promote the transformation of the mode of thinking from a unitary nature to a systematic nature. Third, we must change the traditional habit of asking for permission only but not asking whether or not we should do some thing. This must change in order to promote the transformation of the mode of thinking from the practice of stressing deduction but neglecting induction to the practice of linking deduction with induction.

An important purpose for conducting the discussion on the standards for productive forces is to promote the further emancipation of the mind, to sum up new practices and summarize new achievements with a new mode of thinking, and to guide the ceaseless deepening of reform and opening up to the outside world with new theories and countermeasures. [passage omitted]

**Liaoning's Dalian Suffers Hottest, Driest Summer**  
OW1608065288 Beijing XINHUA in English  
0536 GMT 16 Aug 88

[Text] Dalian, August 16 (XINHUA)—This seaside resort city in northeast China is experiencing the hottest, driest summer in 40 years.

Temperatures have soared to to 30 degrees centigrade every day since July 29 when the last rain fell.

The temperatures are at least three degrees higher than normal, local meteorologists said attributing the hot, dry spell to an air mass of high atmospheric pressure over the city.

Prawn fry are dying in breeding pools as the oxygen content in sea water has diminished.

No change in the weather is forecast in the next three to five days.

### Northwest Region

**Gansu Meeting Views Propaganda, Ideological Work**  
HK1608015188 Lanzhou Gansu Provincial Service  
in Mandarin 2300 GMT 15 Aug 88

[Excerpts] A provincial propaganda and ideological work conference concluded in Lanzhou on 15 August. [passage omitted] Lu Kejian, deputy secretary of the provincial party committee and concurrently director of its Propaganda Department, delivered a report.

Lu Kejian pointed out: The aims of convening this propaganda and ideological work conference are to implement the spirit of the provincial work conference, further promote among the cadres and masses the idea of regarding economic construction as the core task, improve and step up propaganda and ideological work, and mobilize the people throughout the province to further emancipate their minds and work hard to invigorate Gansu. [passage omitted]

Lu Kejian said that the past 10 years of reform have laid the foundation for further sustained and stable development of the province's economy in the future. The most fundamental reason for the formation of this excellent situation is that we have shifted our work focus to taking economic construction as the core and carried out a series of work centering on this core. However, some cadres and masses still lack understanding, familiarity, and awareness with regard to taking economic construction as the core when dealing with certain specific issues and items of work. Hence, to strengthen the idea of the one core, it is essential to deepen understanding of the province's condition, of commodity economy, and of reform. With these problems in understanding resolved, we can further strengthen the idea of the one core among the cadres and masses.

Lu Kejian stressed that firmly establishing the idea of the one core and actively and enthusiastically publicizing and serving the one core represent the fundamental guideline for propaganda and ideological work. The comrades on the propaganda and ideological front must shift their work to this most fundamental issue, and improve and strengthen propaganda and ideological work, so as to provide more effective service for economic construction.

**Qinghai Opens Red Army Memorial Hall 15 Aug**  
HK1608012188 Xining Qinghai Provincial Service  
in Mandarin 1400 GMT 15 Aug 88

[Excerpts] A memorial hall to the 7th Route Army of the Chinese Worker-Peasant Red Army was completed and opened in Xining on 15 August. [passage omitted]

(Liu Guangdong), deputy secretary of the Xining City CPC Committee and acting mayor, spoke at the ceremony. He said that the completion of this memorial hall is a major affair in the province's political life. Praising the historic achievements and revolutionary spirit of the 7th Route Army will arouse the people of all nationalities to work hard to invigorate Qinghai. We should learn from the revolutionary spirit of our revolutionary predecessors in being loyal to the party and people, unite closely around the CPC Central Committee, implement fully the spirit of the 13th CPC National Congress, and build Xining into a beautiful and civilized city.

Provincial party committee Secretary Yin Kesheng also spoke at the ceremony. [passage omitted]

**Shaanxi Financial Work Conference Ends**  
*HK1608051988 Xian Shaanxi Provincial Service*  
*in Mandarin 2330 GMT 15 Aug 88*

[Text] A provincial financial work conference, which ended yesterday, proposed measures and demands for balancing the 1988 fiscal year budget.

The meeting pointed out: The only way to increase revenue is to improve the effectiveness of enterprises, and particularly that of industrial enterprises. The enterprise management contract responsibility system must be implemented and deepened vigorously. Enterprises which have been contracted should act resolutely according to contracts. The amount exceeding the contracted

output value should be returned undoubtedly to enterprises and the deficiencies in the contracted output value should be made up by using funds kept by enterprises, or by cutting down or suspending wages of workers and staff members.

The meeting called on all localities to strengthen the work of collecting taxes and profits, close up loopholes in tax evasion and work hard to increase tax revenue. Not a single penny should be allocated by finance and contraction banks to the projects which have been ordered to stop work by the provincial government. The number of journals and newspapers should be slashed. Newspapers and journals whose publication is not approved by the provincial party committee and government but funded by financial departments should keep separate accounts and be made responsible for their profits and losses. If they are unable to support themselves, they have to stop publication. Expenses for meetings and group purchasing power should be curtailed resolutely and such unhealthy tendencies as giving lavish dinner parties and gifts at the expense of public funds and indulging in extravagance and waste checked. The system of fixing the amount of expenses and budgets for administrations and institutions must be further implemented and improved.

The meeting also called on finance and tax departments to create an atmosphere of being upright and clean in performing duties and make continuous efforts to raise the quality of their staff members and the level of financial management.



**CPC Official on Exploring Reunification**  
*HK1608044988 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1339 GMT 12 Aug 88*

[Report by Tian Di (3944 0966): Yan Mingfu Says Both Sides of the Strait Should Come Into Contact With Each Other and Explore a Method of Reunification Acceptable to Both Sides"]

[Text] Beijing, 12 Aug (ZHONGGUO XINWEN SHE)—Yan Mingfu told Taiwan academics today that the CPC has persisted consistently in solving the reunification of the motherland by peaceful means and that both sides of the strait should come into contact with each other, meet with each other, reach a common understanding, foster mutual trust, and gradually explore a method of reunification acceptable to both sides, including the Taiwan people.

Yan Mingfu, member of the Secretariat of the CPC Central Committee, vice chairman of the CPPCC National Committee, and head of the United Front Work Department, held an informal discussion meeting at Beijing's Xiangshan Hotel this afternoon with Taiwan academics from inside and outside the island attending the academic symposium of Taiwan Fellow-Students Association. After listening to the views of the participants, Yan Mingfu aired his views on contacts between both sides of the strait. He supported the suggestions of the academics which are conducive to contacts between both sides of the strait.

He pointed out: First, both sides of the strait should make extensive contact; second, they should meet with each other because only by making contact can they meet with each other; third, they should reach a common understanding because without meeting with each other they cannot reach a common understanding. He said: The compatriots on both sides of the strait belong to the same civilization and race and have real ties of family relationship and the same culture and national traditions. Although they have different beliefs and stands, they have a common aspiration to reunify the motherland and rejuvenate the nation. Only when both sides make contact, are acquainted with each other, and make friends is it possible to reach a common understanding, which is relative. It is impossible to reach an absolute consensus on everything but we can reserve different views. We can seek common ground and reserve differences on major issues. Common ground on major issues refers to reunification, and differences on major issues means that the Taiwan compatriots can choose whatever system and air different views in the future. From a common understanding we can increase mutual trust and gradually explore a method of reunification acceptable to both sides, including the people of Taiwan. On the major premise of reunification, we can explore ways of reunification.

He said: Both sides should assume responsibility for reunification. The CPC has persisted consistently in solving the question of reunification by peaceful means. How can we allow the Chinese to fight the Chinese again? We strive to solve the reunification of Taiwan and the mainland by peaceful means. This is not only incorporated in the report to our party congress and the report to the NPC, the higher organ of power, but practical actions have also been taken.

In his view, Taiwan has its own strong points economically but it also has fatal weak points. The mainland has raw materials and labor resources and a strong contingent of scientists and technicians. Why can't both sides combine with each other? He hoped that indirect trade between both sides of the strait will turn into direct trade in the near term and that an economic ring of the Chinese, including the mainland, Taiwan, and Hong Kong and Macao, will be established in the long term, with each giving play to its own strong points.

**More on Yan Mingfu's Comments**  
*OW1508133288 Beijing International Service  
in Mandarin 0900 GMT 13 Aug 88*

[Text] Yan Mingfu, vice chairman of the CPPCC National Committee, 12 August attended the 1988 academic symposium of the Taiwan Fellow-Students Association. He said: People on both sides of the strait should first have contacts, establish mutual understanding, and enhance mutual trust to gradually explore ways for reunification acceptable to both sides.

Commenting on economic and trade relations between Mainland China and Taiwan, Yan Mingfu said: We should develop indirect trade into direct trade in the near future. In this way, it will be beneficial to both sides. It will especially be in favor of Taiwan's enterprises. Both sides should establish extensive trade contacts, and each should supply what the other needs on a mutually beneficial basis.

Representatives of various specialized panels of the academic symposium expressed their views on such issues as the reunification of both sides of the strait, economic and trade relations, and cultural exchanges.

Prof Xie Zhenyi, who has come from Taiwan, said: People of various social strata in Taiwan generally have a positive assessment of reforms on the mainland. The achievements of reforms will have a positive influence on the course of reunifying both sides of the strait. Accordingly, it is hoped that people on the mainland will continue to advance in a steady and confident manner. He said: The great cause of reunification will certainly be completed with the efforts of people on both sides of the Strait.

Dr (Li Zhongze) is convinced that the way for Taiwan's future economic and trade development is through the mainland. Only by opening up wholly and investing in and having trade with the mainland can Taiwan's economic and trade development be guaranteed.

**Ministry Proposes More Mainland Investment**  
*OW1508140588 Beijing XINHUA in English*  
1352 GMT 15 Aug 88

[Text] Hong Kong, August 15 (XINHUA)—Taiwan's "Ministry of Economic Affairs" has just suggested relaxing regulations on indirect investment on the mainland and trade for mutual benefit, according to reports from Taiwan.

Statistics at the end of last year showed, Taiwan business people had invested in 80 projects on the mainland, and by the end of this March, companies from Taiwan had launched 50 projects in Fujian Province alone, worth some 50 million U.S. dollars, with all set up via Hong Kong or other regions.

The proposal said, it has been a trend for Taiwan business people to invest in the mainland, and Taiwan authorities should not restrict indirect investment on the mainland.

In addition, the proposal said, investment projects on the mainland by Taiwan business people will not threaten companies in Taiwan because these mainland projects have focused on light industry, textiles or labor-intensive industry.

The "ministry" also proposed the Taiwan authorities relax restrictions on the trade of products which can be beneficial to both Taiwan and the mainland.

**LIAOWANG on KMT 'Diplomatic Breakthrough'**  
*HK1508145688 Hong Kong LIAOWANG*  
*OVERSEAS EDITION in Chinese No 32, 8 Aug 88*

[Article by Lu Bin (7629 2430): "Commenting on Taiwan Authorities' 'Diplomatic Breakthrough'"]

[Text] At the 13th KMT National Congress which has just ended, both Li Tenghui and Yu Kuohua indicated successively in their speeches that the Taiwan authorities would try to "upgrade and break through its existing foreign relations based on substantial diplomacy," and "open up favorable opportunities and conditions with the comprehensive diplomatic strength to fortify its international relations." The incumbent foreign minister Ting Mou-shih made it clear in his report on Taiwan's foreign policy that as far as Taiwan's contacts with other countries are concerned, "the substantial relationship has not been able to meet the requirements of both sides. Hence, we must elevate the relationship to such a political level at which the official authorities can adequately

communicate with each other, and then we should create opportunities to establish and resume bilateral and multilateral relations internationally."

Judging by the above allegations, it is clear that by breakthrough in "substantial diplomacy", they meant developing official relations with those countries who have had diplomatic ties with China. The above officials did not elaborate on how they would make the breakthrough, but the interpretations recently given by official quarters and scholars suggest they will endeavor to win over "international recognition" by introducing the new concept of "double recognition", so that Taiwan "will return to the international community" "as a single international political entity."

**Substantial Diplomacy Proves Unsuccessful [subhead]**

It is exceptional that Taiwan's senior officials should have so openly claimed that they would break through the "substantial diplomacy" and develop official relations with other countries; however, they have never suspended their efforts to attain this goal in the past.

The Taiwan authorities suffered a diplomatic route when the "representatives of the Republic of China" were expelled from the United Nations in 1971, and were compelled to introduce the "substantial diplomacy." But the "substantial diplomacy" has not made any substantial headway for a long time. As a result, the Taiwan government has become more and more isolated internationally, and was up against the wall when it looked for markets abroad for its products and capital, giving rise to dissatisfaction throughout the island. To extricate itself from the predicament, the Taiwan authorities redoubled their efforts to implement a new version of "substantial diplomacy", a diplomacy with "economic diplomacy" as its key factor, and tried hard to get a breakthrough. The Taiwan administration, making use of economy, recommended their "economic development formula" and "provided policy-related assistance" to some developing countries, while taking advantage of the economic recession worldwide, placed big "policy-related orders" with other countries for their unmarketable products at a high price, and even went further to bribe high-ranking officials of some countries.

In addition, the Taiwan government made the year 1986 "Europe-Oriented Action Year," with an aim to making a breakthrough in its relations with Europe. Again in 1987 they tried to extend their economic network to Eastern Europe, the Middle East, and Africa so as to establish "diplomatic relations" in varied forms. In the middle of last year, Taiwan's "Economic Ministry" adopted the "Working Program for Promoting Investment in Southeast Asia" to step up their efforts in the area. At the same time, the Taiwan authorities regarded the "party diplomacy" as a move to "maneuver into the international chessboard," to make up for the deficiency of formal diplomatic ties, and made contacts at the

highest level possible to strengthen their political relations with relevant countries. They also made use of "people-to-people diplomacy" to extend their influence and improve their "international status". They even took Overseas Chinese as "a potential for introducing their overall diplomacy." While openly acknowledging all these efforts, the former Foreign Minister Chu Fung-sung said: "We improve our substantial ties with those countries without diplomatic relations with an ultimate aim to establish bilateral political and diplomatic relations."

Since the Taiwan authorities introduced the "substantial diplomacy" some years ago, what have they gotten for it? Have they made any breakthrough or attained the objective of establishing political and diplomatic relations with other countries? In his address at the "13th KMT National Congress", Ting Mou-shih told the audience how many countries maintain relations with Taiwan through "substantial diplomacy", how many organs Taiwan have set up in foreign countries, and some of them, he stressed, "were established in the official name of the Taiwan government." Ting's statement is a one-sided story. In fact, many countries have only nongovernmental contacts with Taiwan with regard to finance, trade, recreation and sports, and tourism; and the offices which Taiwan was allowed to set up are unofficial ones dealing with economic and trade affairs only. The Taiwan authorities have left no stone unturned to tint the above organs with official color, or engage in political activities through these offices, but their efforts have been to little avail because of sanctions against them in the countries concerned. As to the organs set up in the official name of the Taiwan government, so far as I know, there have been five or six of them at most, and they have been compelled to stealthily remove the official name of the nation added to the organizations concerned owing to the intervention of local governments, or hang their signs inside the setups. In a word, the "substantial diplomacy" the Taiwan government has tried their best to peddle has proved unsuccessful, let alone made a breakthrough in setting up political and diplomatic relations with other countries.

#### Results of the Mainland's Policy Toward Taiwan [subhead]

In recent years Taiwan has made some advances in its economic and trade relations with other areas and countries, and quite a number of people on and outside the island, in a pompous manner, attributed them to the breakthrough in its "substantial diplomacy." In reality, the achievements were brought about by the mainland's policy toward Taiwan rather than by "substantial diplomacy."

The Government of the PRC has always regarded Taiwan as an inseparable part of China in dealing with foreign affairs, identifying the interests of the Taiwan people with those of the people on the mainland. With the number of countries which maintain diplomatic

relations with Taiwan decreasing day-by-day, the Taiwan authorities are in no position to protect the people of Taiwan around the world. The Taiwan compatriots have found themselves in an isolated position when they have gotten into difficulties abroad. Such being the case, the PRC, by vigorously exercising its sovereignty through its embassies and consulates stationed abroad, extends assistance to them when their fishing boats are attacked, detained, and their lives and properties in danger, safeguarding their legitimate rights and interests, and helping them pull through. At the same time, in consideration of the interests of the Taiwan people and the actual needs for economic, cultural, and technological exchange between Taiwan area and the outside world, the Government of the PRC, adhering to the principle of "one China", agreed that Taiwan can join the nongovernmental international organizations or activities in the name of "China Taiwan" or "China Taipei", and have economic and cultural contacts with those countries which have established diplomatic ties with China. It is the said policies and measures that provided the Taiwan government with opportunities to develop its international economic and trade relations, and Taiwan people with favorable conditions to join in economic and cultural activities internationally. All this underlay Taiwan's comparatively considerable achievements in its foreign trade in recent years. Taiwan's official quarters turned a blind eye to this basic fact and put down to China the plight brought about by their unsuccessful "substantial diplomacy," saying that China has "hindered Taiwan's economic expansion by carrying out the isolation policy against Taiwan, and used the blame as an excuse for refusing to revoke their "3 no's" policy. This is obviously mistaken.

#### Factors Preventing Taiwan From Making a Diplomatic Breakthrough [subhead]

The Taiwan authorities have not achieved any breakthrough in its "diplomacy" in the past. Will they make one in the future? From the restricting factors listed below, it is not difficult to conclude that any breakthrough is out of the question.

First, Taiwan's intention to return to the international arena in the official capacity through a "diplomatic breakthrough", in reality, amounts to competing with the PRC for representation, or creating "two Chinas" or "one China, one Taiwan." Under the circumstances in which the overwhelming majority of the countries and international organizations worldwide recognize the government of the PRC as the sole legal government of China, this attempt is to no effect. At present, the PRC is playing an increasingly important role in international affairs. The Taiwan authorities are not in a position to alter this pattern. Taiwan's ambition to represent China, or be on a par with the PRC in the international political arena violates international law, and is incompatible with political reality.



Second, Taiwan's "diplomatic breakthrough" is virtually designed to contend for diplomatic rights, which are an essential part of state sovereignty. On the principle of state sovereignty, a state can only have one government to exercise sovereignty on its behalf in its contacts with other countries in the world. If the Taiwan government exercises sovereignty at the international level on behalf of Taiwan, it will be tantamount to two Chinese governments representing different areas at the same time. This will inevitably create "one country, two sovereign rights." It is for covering up this crucial issue that concocter of "double recognition" Wei Yung, in his interview with the reporter of Taiwan's YUEN CHIEN (6678 6015) magazine, advanced the proposition that "sovereignty belongs to the state not to the government," which evades the basic principle that "a country's sovereignty is exercised by the government which represents it." Taiwan's "diplomatic breakthrough" is bound to end up with division of China's diplomatic rights, and therefore runs counter to its position that "there is only one China." This will cost Taiwan moral support of the people, and it will also meet with opposition of Chinese people who crave for reunification of their motherland.

Some people say, since there are three seats for the USSR's representatives in the UN, and separate seats for the GDR and the FRG as well as South Korea and North Korea in several international organizations, why does not China follow these examples by allowing representatives from the mainland and Taiwan to sit on the same international organizations in the name of China? Official quarters in Taiwan also consider this an outlet for the "diplomatic breakthrough" tactics.

As everyone knows, the above cases were a special product of special historical conditions. It was necessary for the Soviet Union, as the first socialist country and in the then international environment, to send three representatives to the UN, with two representing separate republics. The Soviet Union is a federal country, and, in the light of its constitution, each republic enjoys diplomatic rights. As to the division of Germany and Korea,

it was a national tragedy brought about by the 2d World War instead of the desire of the people of both countries. At present, the international situation has undergone a radical change, and peaceful development and national harmony have constituted the main trend of the current era. Insisting on artificially dividing a nation at the international level for a long time by citing instances brought about in unusual times in the past is out of keeping with the times and also will not work.

**The Only Feasible Way To Break Through Isolation Is To Realize Peaceful Reunification With the Mainland [subhead]**

The Taiwan authorities have increasingly fallen into an isolated position internationally. To really get out of this predicament, they have to find its root cause. Taiwan has been separated from the mainland for a long time for understandable reasons. Since the CPC Central Committee put forward the guiding principles for peaceful reunification, the Taiwan authorities have introduced the "three no's" policy; continually adopted a hostile attitude toward the mainland; been content to exercise sovereignty over a part of the country with their back to the wall; stood aloof in isolation; and separated themselves from the mainland and 1 billion fellow countrymen. With international relations undergoing a fundamental change, China's international status has been lifted to an unprecedented level, and its international exchange is growing every day. Confronted with this situation, the Taiwan authorities, who stand opposite to the mainland, certainly feel more isolated than ever before. If the Taiwan authorities want to change the status quo, the only feasible way is to achieve peaceful reunification with the mainland. Following the reunification, Taiwan can maintain and develop its economic and cultural relations with other countries, and make new friends worldwide by making use of the widespread international relations of the PRC. The Taiwan authorities should form a correct judgment of the situation and hammer out a correct policy, so that they will not run up against a stone wall everywhere as a result of looking for a way out in a blind alley.

**Kuomintang Official Willing To Talk With Deng**  
*HK1608102688 Hong Kong MING BAO in Chinese*  
14 Aug 88 p 7

[Special Dispatch: "KMT Official Chen Li-fu Expresses Willingness To Meet With Deng Xiaoping To Discuss Reunifying China With Culture"]

[Text] Chen Li-fu, Chairman of the Presidium of the KMT [Kuomintang] Central Advisory Council, said that he is willing to visit the mainland and talk with Deng Xiaoping about reunifying China with the Chinese culture.

Chen Li-fu is now also a political advisor to Taiwan's Presidency. He said that if Deng Xiaoping issued an invitation to him, he would certainly visit the mainland. He said: "I have full confidence and have good reasons to persuade Deng Xiaoping to make joint efforts with the other side of the Taiwan Strait for China's reunification on the common foundation of the Chinese culture."

Chen Li-fu said that according to his knowledge, many signs show that the CPC has been changing gradually in recent years. He said: "I think that the CPC has realized eventually that the communist system from a foreign country is not suited to China at all. Therefore, Deng Xiaoping and his followers began to change their system gradually after discovering the defects of the communist system, and put forward the concept of the 'initial stage of socialism with Chinese characteristics.' In fact, they have already negated communism."

Chen Li-fu also expressed his personal comments on Deng Xiaoping. He said: "I think that Deng Xiaoping is completely different from Mao Zedong." He pointed out that after Deng took power, the Confucian temples and other cultural relics that embody the Chinese cultural traditions were restored and repaired. This shows that since Deng Xiaoping took power, the CPC has returned gradually to the Chinese culture and identified itself with China's traditions.

**Commentary on Increased Trade With Mainland**  
*OW1608064488 Taipei International Service*  
in English 0200 GMT 16 Aug 88

[Station Commentary: "Mainland Trade Continues to Grow"]

[Text] There was a time, say, only 2 or 3 years ago, when many a fisherman risked everything he had to smuggle goods into Taiwan from Mainland China. For some, it was big business, as certain mainland herbs and medicines fetched enormous prices on the black market. But the law came down heavily on those who got caught on the high seas or in port.

In a quick year or two, however, all the rules on doing business with Mainland China have changed drastically. The black market has dried up as indirect trade with the mainland has been gradually legalized.

And now, trade via third parties between Taiwan and Mainland China is reaching record levels, with no end in sight. The UPI [United Press International] reports from Hong Kong this week that Hong Kong bankers generally list trade between Taiwan and Mainland China at somewhere around U.S. 2 billion dollars in 1988. Ten years ago, the trade level was less than half a percent of today's total.

The Republic of China [ROC] on Taiwan has loosened restrictions on mainland trade for several reasons. Other than wanting to take an economic offensive to influence the future direction of Mainland China's development, Taiwan also faced more immediate realities at home, such as burgeoning labor costs, a higher valued currency, and stiffer competition from labor-intensive economies in Asia. These factors have given Taipei more impetus to look to the mainland for trade and investment opportunities.

Last month, the Board of Foreign Trade decided to open the door to mainland trade much wider by allowing imports of raw materials for the first time. Taiwan manufacturers are expected to take up that offer, since supplies of industrial raw materials, including energy resources, are getting more and more hard to come by on Taiwan.

In a report given this week, a think tank associated with the Ministry of Economic Affairs has proposed that the ROC Government go a step further by lifting restrictions on investments in Mainland China. It suggested that the government permit Taiwan manufacturers to invest in Mainland China through indirect means, such as via holding companies in Hong Kong.

The think tank also offered suggestions on expanding trade. It said that the government should take an open mind about trade that involves items produced by one side but not the other. For instance, Taiwan could sell heating and lighting facilities, sewer pipes, office machines data processing facilities, and things of that sort, while the mainland could freely sell minerals, livestock, seeds, herbs, and the like to Taiwan.

In a related development, a proposal by a group of some 30 senior elected and majority party officials to offer a Marshall-type aid package to Mainland China has received conditional support from General Wego Chiang, the son of the late President Chiang Kai-shek. In a speech on Sunday, Chiang said that loans could be offered through a strong country, to minimize the risks for the ROC on Taiwan. He said financial aid can be used, but only if the strategy involved is sound, to avoid costly failure.

In any case, Taipei will continue to tread carefully so as not to become too dependent on the mainland market for trade or investment, record trade levels, aid packages, etc., notwithstanding.

**No Renewal of Rice Pact With U.S.**

OW1508160988 Taipei CNA in English 1512 GMT  
15 Aug 88

[Text] Taipei, Aug. 15 (CNA)—The Government of the Republic of China [ROC] has formally notified the United States that the current rice export agreement between the two countries will not be extended after it expires at the end of 1988, the Ministry of Economic Affairs announced Monday in a press release.

The press release came after Lin Feng-hsi, chairman of the Taiwan Farmers' Union, told the local press last month that the U.S. Government has a veto power over the ROC's rice exports.

Lin, who met U.S. Department of Agriculture officials James Swain and Alfred Persi during a mid-July tour of America, quoted the two officials to support his assertion.

The rice pact allows the ROC to export 1,750,000 metric tons of rice during the 1983-1988 period, much higher than the U.S.-proposed 275,000 metric tons, showing that the U.S. does not have so-called "veto power," the ministry said.

The ministry pointed out that upon learning the news, Swain was surprised and regretted Lin's misquote, saying that Lin seemed to intend to create a controversy.

The American Institute in Taiwan has formally denied the untrue report, the ministry said.

**President Li Teng-hui Inspects Flood Damage**

OW1508224888 Taipei CNA in English 1610 GMT  
15 Aug 88

[Text] Taipei, Aug. 15 (CNA)— President Li Teng-hui Monday instructed the governments of three central and southern Taiwan counties, stricken by the worst floods in 30 years, to immediately adopt relief and reconstruction measures after he inspected the flood-stricken areas.

The president first inspected Yunlin County in central Taiwan. After arriving in the county at 9:40 a.m., Li visited several of the places hardest hit by the floods in the company of magistrate Hsu Wen-chih.

Li then proceeded to Chiayi County in southern Taiwan, where he inspected several townships affected by the floods, including Shuishan town, where a newly built bridge was washed away early Sunday morning.

President Li instructed Chiayi magistrate Ho Chia-jung to offer farmers all necessary assistance in arranging loans and helping them to clean up their damaged farmlands.

After a one-hour stay, the president continued his inspection tour of Tainan, another southern Taiwan county suffering from heavy flood damage.

Tainan magistrate Li Ya-tsiao reported to the president that the county government estimated that the floods had caused some NT dlr [New Taiwan dollars] 440 million worth of damage to public construction projects and another NT dlr 150 million to the agricultural and fishery sectors.

President Li instructed the county government to improve the sewage system so as to ensure the safety of residents' lives and properties. He left Tainan at about 5 p.m.

Li also phoned Pingtung County magistrate Shih Meng-hsiung and Kaohsiung County magistrate Yu Chen Yueh-ying Monday to express his concern for residents affected by the floods in the two southernmost Taiwan counties.

According to preliminary reports, the heavy rainfall in central and southern Taiwan since Sunday morning has caused heavy damage to farming in the area, especially in Changhua, Nantou, Yunlin, Chiayi, Tainan and Kaohsiung counties.

The Council of Agriculture held an emergency meeting Monday morning to discuss ways to reduce agricultural damage caused by the disaster. It was decided that COA chairman Yu Yu-hsien and other ranking officials of the council would inspect the flood-stricken areas and decide on relief measures as soon as possible.

Meanwhile, Central Bank of China governor Chang Chi-cheng announced that the nation's banks would give top priority to relief loans to farmers and fishermen whose livelihoods had suffered damage because of the floods. He said the government has set up a NT dlr 3.5 billion fund aimed exclusively at relieving damage caused by natural disasters.

In another development, the Commodity Price Supervisory Board of the Economics Ministry has warned of possible price hikes for vegetables in the wake of the floods. The board said since the floods had inundated some 2,000 hectares of farmland growing vegetables, prices are expected to go up in the next few days.

According to the Central Weather Bureau, more than 500 millimeters of rain have poured down on most parts of central and southern Taiwan in the 24 hours since Sunday morning. The bureau warned that since the low depression area that had brought the torrential rains was moving northwards, residents in central and northern Taiwan should take precautionary measures to prevent damage.



Landslides and washed away bridges from the floods, believed to be the highest in three decades, have also paralyzed traffic in several parts of central and southern Taiwan. The southern Taiwan cross-island highway has been closed because of serious landslides. Several sec-

tions of the south-north railway were damaged because the flood waters washed out the railway tracks but traffic on the railway returned to normal Monday afternoon after the Taiwan Railway Administration made emergency repairs.

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17 August 88